Austria	Sch30	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.900	Israel	Shk4.50	Philippines	Peo40
Belgium	BFr60	Italy	L2200	Poland	Zl 11,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Es175
Denmark	DKr13	Korea	Won 2000	Qatar	QR10.00
Egypt	E£3.50	Kuwait	FBs.500	S.Arabia	SR9.00
Finland	FM9.50	Lebanon	L£1,000	Singapore	S$4.10
France	FFr8.00	Lux	LFr60	Spain	Pta175
Germany	DM3.00	Malta	45 cents	Sweden	SKr13
Greece	Dr200	Morocco	MDh10	Switz	SFr2.70
Hungary	Ft145	Neth	Fl 3.50	Thailand	Bht50
Iceland	IKr180	Nigeria	Naira15	Tunisia	Din0.800
India	Rs28	Norway	NKr13.00	Turkey	L3000
Indonesia	Rp3100	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,455

Friday May 17 1991

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MEXICO
US pollution south of the border
Page 5

World News

Middle East peace bid 'neither made nor broken'

US secretary of state James Baker wound up his "make-or-break" Middle East peace shuttle, insisting he had neither made nor broken his attempt to arrange an Arab-Israeli peace conference. Page 4

Gandhi leads polls

Two Indian opinion polls predict Rajiv Gandhi's Congress party will win next week's elections – but without achieving a majority. A third poll forecasts Congress will win outright control.

Yugoslavia crisis

Yugoslavia remained paralysed after the country's state presidency continued to block the election of Stipe Mesic, a Croat. Page 3

Kurds optimistic

Agreement between the Iraqi government and its Kurdish opponents on a new formula for Kurdish autonomy "may be possible within days". Page 4

Moscow-Peking pact

China and the Soviet Union, cementing ties after decades of ideological disputes, signed an agreement covering the eastern part of their common border. Page 3

Nepal poll result

The Nepali Congress party appears to have pulled off a narrow victory over strong Communist opposition, in Nepal's first multi-party elections in 32 years. Page 4

Turk 'spy' sentenced

Hicabi Kocyigit, caught handing papers to an Iraqi diplomat during the Gulf war, was convicted of treason by an Ankara court and jailed for 12½ years.

Toronto standoff

Police in Toronto moved to break up a protest by 1,000 truckers who have blocked traffic on Canada's busiest highway for two days.

Ro Jai-bong to stay

South Korean President Roh Tae-woo defied demands of anti-government protesters by refusing to sack Ro Jai-bong, his prime minister, and ordered tougher action against illegal rioters.

Pinochet drops visit

Chilean army chief General Pinochet dropped a planned visit to South Africa from his controversial tour. Page 5

Abortion uproar

Deputies from the Democratic Union, a Polish political party, tabled a last minute motion suggesting their parliament suspend work on a law banning abortion. The issue is dividing the country.

Red faces in NZ

New Zealand government began an investigation into why it funded a gang of "ghostbusters" as part of a job creation scheme. The group, whose main thrust was to identify ghosts, track them down and photograph their aura, received NZ$90,000 ($53,000) of government money.

Business Summary

Spain cuts intervention rate by 75 basis points

The Bank of Spain cut its official intervention rate by 75 basis points to 12.75 per cent in a move which will relieve pressure on the French franc and could open the way for a cut in French interest rates.

The Spanish cut is the second this year. On March 15, the Bank cut the intervention rate by a full point to 13.5 per cent after a sharp drop in the inflation rate. Page 20; Australia cuts interest rates, Page 4

SECURITIES houses in Japan reported sharply lower profits for the fiscal year to end-March, reflecting the effects of the Tokyo stock market plunge and the collapse of commission income. Page 21

CHINA: Bush administration will consider attaching conditions to the annual renewal of China's Most Favoured Nation trade status. Page 20

JAPAN'S trade surplus for April rose 79.3 per cent from a year earlier to $6.3bn. Page 20

IMPERIAL Chemical Industries: International banks are unlikely to support a bid by Hanson, acquisitive UK industrial conglomerate, for ICI. Page 21

US housing market: Construction of houses and apartments rose 6.2 per cent in April, because of effects of lower interest rates. Page 5

UK economy: Government reported the biggest April rise in unemployment for more than 20 years while releasing industrial production figures that suggested the recession may have touched bottom. Division over figures, Page 20; Details, Page 6

ATLAS Copco, Europe's biggest air compressor manufacturer, reported a 36 per cent drop in profits after financial items to SKr250m ($41m) for the first quarter. Page 21

EAST Germany: Credits of DM36bn ($20.7bn) will be channelled to east Germany via three government development banks this year. Page 3

BOTSWANA, world's biggest diamond producer, has agreed to continue selling its diamonds for the next five years through De Beers, the South African group. Page 32

SOUTH Korea has been criticised by the US for maintaining exchange and capital controls, and for discriminating against foreign financial companies. Page 5

CEDEL, one of two Eurobond clearing houses, will accept a compromise solution to a dispute on the exchange of clearing information with its rival Euroclear. Page 26

THOMSON Corporation, Canadian-controlled travel and publishing group, has blamed the impact of the recession and the Gulf war for the rare loss, of $56m, it posted in the first quarter. Page 24

SOCIETE Générale de Belgique is to raise BFr8.25bn ($237m) by selling two minority stakes and a tranche of its own shares. Page 22

Weekend FT

Tomorrow: The sayings of Jesus: new evidence or hoax?

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A two-page guide to the best of the arts festivals

Soviet president offers radical economic reform in return for aid

Gorbachev in secret G7 offer

By John Lloyd in Moscow

PRESIDENT Mikhail Gorbachev has made a secret appeal to the Group of Seven leading industrial nations for extensive financial and technical support in return for a root and branch economic reform in the Soviet Union.

The plan was disclosed by Mr Grigory Yavlinsky, a former deputy prime minister of the Russian Federation, who has emerged as an informal mediator between Mr Gorbachev, Mr Boris Yeltsin, leader of the Russian parliament and western financial institutions.

This unprecedented initiative, if followed through, would mean that economists from the World Bank, the International Monetary Fund and other institutions would directly work on the reforms with Soviet officials.

Mr Yavlinsky said he had drafted a letter from Mr Gorbachev to the G7 two weeks ago which proposed the integration of the Soviet Union into the world economy, the liberalisation of Soviet prices, and a large-scale devolution of power to the republics.

It calls for the active involvement of experts from the G7 in drawing up the Soviet programme and for the preparation of a parallel programme by the G7 to support the reforms.

Mr Yavlinsky said Mr Gorbachev stressed at a meeting at the beginning of this month the importance of the plan commanding both public and western support, and indicated his willingness to override conservative forces in the Communist party. He said that gaining such support was "more important than narrow party interest".

Mr Yavlinsky emphasised that the Soviet leader appeared to have accepted both that heavy western aid was a prerequisite for successful reform, and that he must tailor his economic and political priorities accordingly.

Mr Gorbachev told the Cabinet of Ministers meeting on Wednesday that western aid was essential – using similar phrases to those used in the letter to the G7.

Mr Gorbachev may himself be invited to address the G7 at its July meeting in London. Professor Stan Fischer, the former chief economist at the World Bank, who oversaw the IMF-World Bank report on the Soviet economy published last December, said yesterday that the report's proposals for aid to the Soviet Union could be the main item on the G7 agenda. Prof Fischer was speaking at a conference in Moscow organised by Harvard University's Kennedy School of Government.

Professor Jeffrey Sachs, a Harvard economist who has been the main adviser to the Polish government on reform, suggested that the Soviet aid should be in the order of $30bn a year over five years.

Mr Yavlinsky, the main author of the Yavlinsky-Shatalin "500 Day" programme for market reform which failed to get government support last year, appears to have opened a window through which the Soviet president has discreetly signalled his willingness to craft economic reform to the shape required by the west, in return for its support.

Such a willingness implies that Mr Gorbachev has covertly turned his back on conservative forces which blocked the first attempt at radical market reforms last October, risking their wrath.

However, it is not yet clear how far Mr Gorbachev is willing to institutionalise democratic and legislative reform. But in the agreement he signed with nine republican leaders last month, he promised all-union elections before the end of the year – a pledge which Professor Sachs, and other western experts, regard as significant.

The letter to the G7, approved and redrafted by Mr Yevgenny Primakov, the president's aide, says that a "concrete action programme" should be drafted by representatives of the Union and republican governments, with the participation of western experts.

Included in the programme, the letter says, should be "a concrete distinction of powers between republics and the centre, especially in the economic sphere"; a liberalisation of prices; a "strategy of structural changes creating the basis for the creation of an open economic system in the USSR and its integration into the world economy"; the development of "a legislative framework for the functioning of market institutions, especially in the sphere of foreign economic links, currency policy and foreign investment"; and the spelling out of the criteria for the use of aid from the Group.

The letter also says that the Group should make clear what forms of economic assistance it is prepared to offer, how it might ease the Soviet foreign debt and extend long-term credits.

Economist behind aid plea, Page 3

Pöhl says he will quit Bundesbank for personal reasons

By Andrew Fisher and Katharine Campbell in Frankfurt

MR Karl Otto Pöhl, one of the world's most powerful central bankers, said yesterday he was resigning in October as president of the Bundesbank for personal reasons and that his move was neither a protest nor a sign of frustration.

Asked by journalists if the pressures of the job, including disagreements with Bonn over the costs of German unification, had influenced him, Mr Pöhl, 61, said there were many reasons behind his decision.

"I feel the need to devote myself to my family and my private interests to a greater extent than has been possible until now," he told a packed press conference at the bank's Frankfurt headquarters. Mr Pöhl has held public office in Bonn and Frankfurt for 21 years, including the last 11 years at the head of the central bank.

"You have to respect the fact that someone like me, who has had to put his head out of the window for so long and sometimes finds himself in unfriendly surroundings, wants to move from the public stage to the anonymity of normal life," he said.

Concern over terrorism, especially since the murders of Mr Alfred Herrhausen, head of the Deutsche Bank, and Mr Detlev Rohwedder, who ran the Treuhand, the east German privatisation agency, also played a part in his decision.

Asked if this was an issue, he said: "Certainly, yes. I am just a human being. I have a family and young children."

Mr Pöhl declined to elaborate on what he intended to do and also gave no hints as to who his successor might be, saying this was up to the Bonn government.

It is widely expected that the next president, likely to be named within 14 days, will be Mr Hans Tietmeyer, 59, the former state secretary of the Finance Ministry who became a Bundesbank council member in 1989.

Mr Pöhl said his decision to leave the German central bank had been under consideration for some time. He was irritated that his intentions had been leaked, although he did not specifically blame the Finance Ministry.

Pragmatist calls it a day, Page 20

Cresson criticises Japanese protectionism

By Ian Davidson and George Graham in Paris

MRS EDITH CRESSON, taking office yesterday as France's prime minister, launched an immediate attack on Japanese protectionism.

"I am against the manifest imbalance which exists between the European Community, which is not at all protectionist...and the Japanese system which is hermetically sealed," she said in her first television interview.

"Europe has no response to the Japanese system, and it is this response that I would like to help emerge," she said. However, Mrs Cresson, who has a reputation as a battling left-winger, offered no concrete policy on the Japanese trade issue and firmly denied she was a protectionist.

She said that the European Commission was "a little lax" in its attitude to imports of Japanese cars, and that it was "inadmissible that Europe's electronic components industry, which is the lifeblood of the industry of tomorrow, should be totally dependent on Japan".

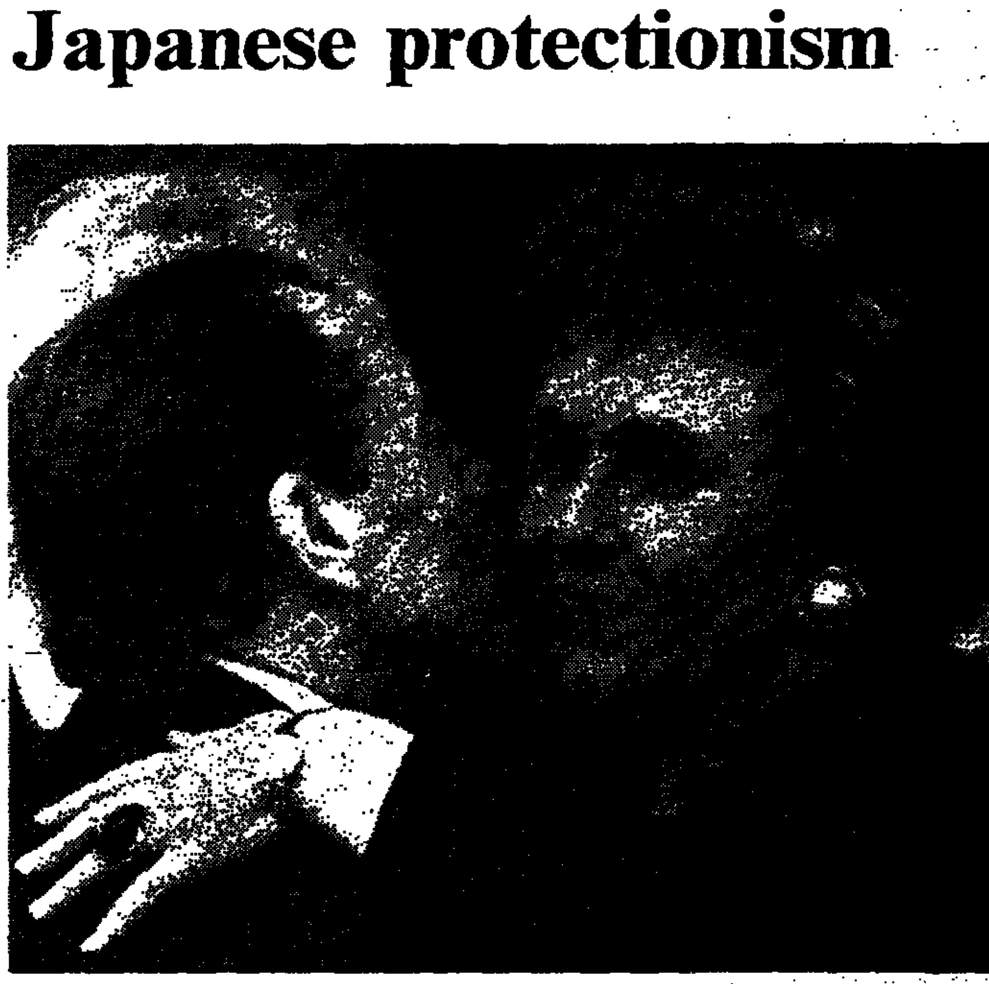
Nevertheless, she acknowledged that import quotas for Japanese cars must one day be ended, although a delay was needed to strengthen European industry. Nor did she rule out the possibility of Japanese partnerships for French state-owned electronics companies such as Bull, although she preferred European or even US partners.

Otherwise Mrs Cresson sketched out a programme little different from that of her predecessor, Mr Michel Rocard, indicating with enthusiasm that she would undertake her assigned task of toughening up the French economy for the European single market of 1993. It appeared she would be doing so largely with the same policy tools, and probably with many of the same ministers as Mr Rocard.

It was also striking that Mrs Cresson, who has frequently and violently attacked Mr Rocard in the past for policy weakness, declined to criticise his government in any way.

Mrs Cresson said the first problem she must address was the budget. She made it clear, however, that there was no question of disavowing the "excellent economic policy" of fiscal and financial discipline adopted by Mr Pierre Bérégovoy, the finance minister.

President Mitterrand had already confirmed that the "new *élan*" he sought to give to France's economic competitiveness must be achieved within the existing budgetary and monetary constraints applied by Mr Bérégovoy.



Edith Cresson embraces Michel Rocard at their handover meeting yesterday

Bridgestone to inject $1.4bn capital into US tyre operation

By Stefan Wagstyl in Tokyo

BRIDGESTONE, the Japanese tyremaker, is to inject $1.4bn extra capital into Bridgestone/Firestone, its ailing US operation.

The funds are intended to allow Bridgestone/Firestone to cut its borrowings of about $3bn by half, reduce interest payments and concentrate on improving its operational performance.

Bridgestone/Firestone has been losing money ever since Bridgestone bought Firestone for $2.6bn three years ago, as its problems have been compounded by the downturn in the US auto industry.

Bridgestone has spent some $1.5bn upgrading Bridgestone/Firestone's factories and has increased control of the business by Japanese executives, including the dispatch in March of a chief executive from Tokyo.

Bridgestone/Firestone lost Y47.2bn ($339.6m) last year, almost wiping out the substantial profits made by the parent company in Japan and cutting the group's net profit to Y4.5bn. It had originally planned for net profits of Y20bn.

Bridgestone has planned for Bridgestone/Firestone to return into the black next year. But it clearly felt this target would be unattainable without further financial support. Mr Akira Yeiri, the Bridgestone president, said yesterday: "I believe it is essential for us to revitalise our American operations in order to become the world's leading tyre company."

Bridgestone is raising the funds for the capital injection through a Y80bn yen bond issue in the Euromarkets and a Y120bn programme of commercial paper sales. Bridgestone's main consolation is that other leading tyre makers also face severe difficulties in the face of severely depressed market conditions. Bridgestone's financial strength means that it is better placed to cope with the problems than some of its international rivals.

Against a world background of chronic over-capacity, major players like Michelin of France and Goodyear Tire & Rubber, Firestone's arch-rival in the US, have plunged into losses and are being forced into major retrenchments.

Goodyear, ousted by both Michelin and Bridgestone from its former position as the world's biggest tyremaker, made a net loss of $30.4m in this year's first quarter, representing a sharp acceleration of the $38m loss for all of last year.

With price-cutting endemic throughout the industry, Goodyear is well into a job cutting programme which will bring to 12,000 the total lost since early 1989, and is paring back sharply on capital spending.

Michelin, the world's largest and most indebted tyre maker, made a FFr5.27bn ($900m) net loss last year, expects another loss this year and is making 16,000 redundant, 15 per cent of its worldwide workforce, over the next two years. Smaller tyre groups like Pirelli Tyre Holding have also fallen into losses. Placed into this perspective, Bridgestone/Firestone's predicament appears slightly less alarming.

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Sparks fly at the US-Japan semiconductor trade talks

Senator Lloyd Bentsen has opened a new front in the trade war between the US and Japan by accusing the Japanese of depriving US companies of the equipment they need to make advanced computer chips
Page 18

MARKETS

STERLING
New York lunchtime:
$1.7480
London:
$1.7450 (1.748)
DM2.9600 (2.955)
FFr10.0475 (10.03)
SFr2.5125 (2.5)
Y240.00 (241.25)
£ index 92.20 (91.9)

GOLD
New York: Comex Jun
$357.1 (360.9)
London:
$356.0 (360.15)

N SEA OIL (Argus)
Brent Jul
$19.375 (19.3)

Chief price changes yesterday: Page 23

DOLLAR
New York lunchtime:
DM 1.6955
FFr5.7505
SFr1.4380
Y137.60
London:
DM1.6970 (1.69)
FFr5.7575 (5.7375)
SFr1.4405 (1.4305)
Y137.55 (137.95)
$ index 65.3 (65.4)
Tokyo close: Y137.30

US lunchtime rates
Fed Funds 5$\frac{13}{16}$%
3-mo Treasury Bills:
yield: 5.566%
Long Bond:
97$\frac{3}{32}$
yield: 8.304%

STOCK INDICES
FT-SE 100:
2471.9 (+12.5)
FT Ordinary:
1938.8 (+12.6)
FT-A All-Share:
1,196.09 (+0.4%)
New York lunchtime:
DJ Ind. Av.
2,894.45 (+29.07)
S&P Comp
372.37 (+3.80)
Tokyo: Nikkei
25,520.27 (−302.20)

LONDON MONEY
3-month interbank:
closing 11$\frac{17}{32}$% (11$\frac{21}{32}$)
Little long gilt future:
Jun 90$\frac{18}{32}$ (90$\frac{21}{32}$)

Saving Sunday for the unions

FT writers examine the muddle of laws on sabbath trading

WANDERING through the streets of Paris on a Sunday morning, it is hard to imagine that, in principle, French law forbids Sunday shop opening.

Shopping is, for the French, the ritual occupation of Sunday morning. Where the British settle down to read the weekend newspapers, the French set out for the market.

Nevertheless, France's laws ban all forms of Sunday working, and all the shops that open on the sabbath do so either in defiance of the law, or by virtue of some official exemption.

The rules are generally recognised to be a self-contradictory mess, but this is by no means a situation unique to France.

In the UK the inability of the British courts to decide whether the 1950 legislation which governs Sunday trading is incompatible with free trade principles of European Community law, led Britain's highest appeal court this week to refer the issue back to the European Court in Luxembourg for the second time in two years.

The British Law Lords want to know whether the European Court's 1989 ruling, in a case involving the DIY chain B&Q, has been overtaken by its ruling in two recent cases brought by a group of small Belgian retailers, and the French Conforama chain.

The Belgian and French retailers had challenged their domestic laws, which restrict retail employment on Sundays. The European Court ruled, however, that Sunday employment restrictions are not incompatible with free market principles of EC law, much to the dismay of the Sunday trading lobby.

The Sunday shopping picture across Europe is a muddle. In Scotland and Sweden there are no restrictions. In Ireland, Portugal and Spain restrictions exist but are not applied. In Germany shops close on Sunday and on Saturday afternoon.

The French rules are based partly on labour protection legislation, designed to protect workers from being forced to work on Sundays, and partly on regulations aimed to help France's extensive and politically sensitive lobby of small retailers against the hypermarkets.

A wide range of exemptions, granted at local level, ensures a complete lack of uniformity across the country.

A number of large retail outlets manage to stay open on Sunday, either by obtaining authorisation from a less finickety prefect or mayor, or because the occasional modest fines they incur are substantially outweighed by the additional revenue.

Mr François Doubin, the Minister for Commerce, has put forward a draft bill designed to update the rules very slightly and make them more consistent. He has managed to satisfy no-one, however.

But one thing is clear: the French want Sunday shopping and this demand seems unlikely to go away. According to a poll published by the Journal du Dimanche, 56 per cent of those questioned are in favour of Sunday opening.

Belgium may be a predominantly Catholic country, but it tackles the issue of sabbath-day working from a pragmatic rather than a sacred angle. Most large Belgian stores remain closed on Sundays, not because of religious pressure but because they cannot persuade the unions that their members should give up a day of rest.

The law is short and to the point – "It is forbidden to employ workers on Sundays" – but there are numerous exceptions. Belgium's 1971 labour legislation, for example, prevents people working in retail outlets on Sunday, but only after midday.

In February, when the European Court examined these rules it decided they were not in breach of EC law, because "their purpose was to ensure that working and non-working hours were so arranged as to accord with national or regional socio-cultural characteristics".

While the decision caused much dismay among Sunday trading advocates in the rest of Europe, in Belgium the decision seems to have caused little distress. In any case, a 1987 amendment thrashed out by employers and unions means Belgian retailers can already open all day on the Sunday before Christmas and on two other Sundays during the year, while retailers in holiday areas can get round the legislation more frequently with the advance permission of local government inspectors.

German retailing hours remain, curiously, some of the most restrictive in Europe.

Three Saturdays out of four turn into a breathless scramble to complete purchases before the doors swing firmly to at 2pm – indeed an hour earlier at many food stores and other uncommercially-minded enterprises.

A mild liberalisation of the antiquated law occurred in October 1989 when, after fierce political battles, shop-worker strikes and the like, stores were allowed to stay open an extra two hours on Thursday evenings until 8.30pm. The very German compromise, however, was that in exchange two hours were lopped off the first Saturday of the month.

Sunday shopping is a popular pastime for the French

Humbug and politics dominate bizarre British institution

By John Thornhill

THE Sunday trading debate is a very British controversy, mixing as it does elements of high moral principle, crude political expediency, complex legal and business machinations, and not a little humbug.

Britons have been arguing about the respective virtues and evils of Sunday shopping for centuries.

A proposed restrictive bill on the subject in 1855 prompted 150,000 protesters to riot in Hyde Park, London, and pelt the prime minister's coach with fruit and stones. The bill was withdrawn.

The current legislation affecting the debate is the 1950 Shops Act, which was introduced as a temporary measure but has remained in force ever since.

This curious piece of legislation defined which goods could be sold on Sundays, although the specifications have since been widely criticised as absurd and anachronistic. For example, as the law stands, it is legal to sell pornographic magazines on a Sunday but not a bible. Fresh vegetables may be sold but not tinned ones.

The Conservative government attempted to tackle the issue by introducing a Shops bill in 1986. However, the bill was defeated at the second reading by 14 votes.

Ironically, many Scottish Labour MPs voted against the bill to embarrass the government, even though Sunday trading was legal in Scotland.

The government has not attempted to grasp the legislative nettle again since that vote. But the debate received fresh impetus before Christmas last year when many retailers opened their stores on Sundays in a desperate attempt to boost trade, which had been severely dented by recession.

Mr John Major, the recently-installed prime minister, described much of the Sunday trading law as "bizarre" and urged the retailers and their critics to reach an acceptable compromise.

But it is difficult to see how a compromise solution can be achieved.

The British Retailers' Association (BRA) discovered that its members were split down the middle when they last consulted them on the issue a few years ago.

And although the Keep Sunday Special Campaign (KSSC) accepts that there is a need to reform the law, it is still adamantly opposed to a general lifting of restrictions.

Greek Cypriots resigned to split ahead of election

By Kerin Hope in Nicosia

GREEK Cypriot voters have watched the general election campaign unfold on their television sets instead of going to rallies in the island's quietest campaign in memory.

This is partly because political leaders agreed to avoid polemics in the run-up to Sunday's vote and to keep the campaign to dialogue and discussion on the airwaves.

But the low-key mood also reflects a growing resignation, especially among the young, to the island's continued division almost 17 years after Turkish troops occupied Northern Cyprus in response to a Greek-inspired coup.

Politicians from every party seem highly suspicious of recent US efforts to encourage the Turkish side to come up with substantive proposals for a solution.

According to opinion polls, the right-wing Democratic Rally (DYSY) should maintain its position as the largest party in the 56-member house, followed by the communist Akel.

An electoral alliance with the small Liberal Party could push DYSY's share of the vote past 35 per cent.

Akel aims to take 30 per cent of the vote, while support for the centrist Democratic Party appears to be slipping.

Success turns sour for Ireland's beef baron

By Kieran Cooke in Dublin

NOT so long ago Mr Larry Goodman was regarded as one of Ireland's great commercial success stories.

His privately held Goodman International group had quickly grown into being Ireland's and Europe's biggest beef processor and exporter. Mr Charles Haughey, the Irish Prime Minister, gave enthusiastic backing to Mr Goodman's expansion plans. Ireland, it was said, needed go getters like its new "beef baron".

Now Mr Haughey's government has reluctantly agreed to a full judicial inquiry into allegations of widespread malpractices within the Goodman group.

This is believed to be the first such inquiry in an EC country into the beef industry – an industry which the EC's own auditors say is subject to various malpractices, involving millions of pounds worth of Community funds.

The immediate reasons for the inquiry into the Goodman group were allegations made in a British TV programme earlier this week. The programme – World In Action – alleged Goodman International had indulged in abuse of the EC subsidy system relating to beef exports. It also alleged, among other things, that bogus inspection stamps had been used in Goodman plants and, perhaps most damaging of all that unfit beef, some of it alleged to be 13 years old, had been sold to customers.

Mr Goodman has called the allegations "outrageous". He says he is considering legal action.

The issue has entered the political arena: the business of the Irish parliament had to be suspended for a time this week as opposition members demanded a debate on the Goodman issue. Mr Haughey is said to be furious. Talk of political crisis is in the air.

Beef is a vital part of the Irish economy, accounting for 7 per cent of total exports. Mr Goodman's companies control an estimated 40 per cent of the annual cattle "kill" in Ireland. In the past Mr Haughey's government has been accused of showing favouritism to Mr Goodman's companies, particularly over the provision of export credit insurance for beef exports to "high risk" countries, particularly Iraq.

On various occasions Mr Haughey's government has been accused in Parliament of not monitoring alleged irregularities in the Goodman organisation. Mr Haughey himself was accused of "protecting a friend." In turn, Mr Haughey accused his critics of trying to sabotage the Irish beef industry.

Then in the middle of last year, Goodman International was revealed to be in severe financial difficulties. The group owed 33 Irish and international banks more than I£450m: the Irish parliament was recalled to rush through companies legislation offering protection against creditors to Goodman and other companies.

Since that time Goodman has been involved in a series of complex rescue proposals with creditor banks.

Mr Haughey's Fianna Fail party did not want this investigation. But the small Progressive Democrats party, in coalition with Fianna Fail, forced the issue.

Mr Haughey must be wishing he had never heard of Ireland's "beef baron".

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EUROPEAN NEWS

Yavlinsky drafts initiative with an eye on the west

Economist at centre of Soviet aid plea

By John Lloyd in Moscow

MR. Yavlinsky, the young economist at the centre of the Soviet president's initiative to begin a dialogue with the leading industrial countries on a package to secure large amounts of aid for Soviet reform, is a classic example of the chaotic creativity which surrounds the process of Soviet economic change.

The letter requesting western help which Mr Gorbachev has approved for transmission to the Group of Seven was essentially crafted by Mr Yavlinsky. It represents both a plea for financial assistance, and an admission that the Soviet Union must conduct its reforms with at least one eye on the west.

There are many questions remaining on both political and economic – specially on the democratic front – and the reaction of the west is not yet clear, the letter indicates how far the Soviet government is presently prepared to go.

The main proposals in the letter are that a "concrete action programe" should be drafted by representatives of the Union and republican governments, with the participation of western experts.

The programme would detail the "forms of economic cooperation" with the Group of Seven and would take into account the analysis and recommendations included in the World Bank/IMF study of the Soviet economy published last December.

Included in the programme, the letter says, should be "a concrete distinction of powers between republics and the centre, especially in the economic sphere"; price liberalisation and structural changes designed to reintegrate the Soviet economy into the world market; a "strategy of structural changes creating the basis for the creation of an open economic system in the USSR and its integration into the world economy"; the development of "a legislative framework for the functioning of market institutions, especially in the sphere of foreign economic links, currency policy and foreign investment"; and the spelling out of the and criteria for the use of aid from the Group of Seven.

The letter also says that the Group should make clear what forms of economic assistance it is prepared to offer, how it might ease the Soviet foreign debt and extend long term credits.

Included in the programme should be 'a concrete distinction of powers between republics and the centre, especially in the economic sphere'; price liberalisation and structural changes designed to reintegrate the Soviet economy into the world market'

Since resigning as deputy prime minister of the Russian Federation last year, Mr Yavlinsky has been able to play a mediatory role between Mr Gorbachev and Mr Boris Yeltsin, the Russian leader.

He was one of those who counselled Mr Yeltsin to compromise with Mr Gorbachev – a compromise which resulted in Mr Gorbachev's pledge on April 23 to devolve power to the republics, while republican leaders, including crucially Mr Yeltsin, agreed to support an anti-crisis plan.

Mr Yavlinsky appears to have been critically important in persuading Mr Gorbachev that no plan has any hope of working unless it attracts very large sums of foreign aid.

He attended the meeting of the Group of Seven in April armed with the request from Mr Yevgenny Primakov, the presidential aide, to let it be known that the Soviet leader wished to take part in the Group of Seven's meeting in July.

On his return to Moscow at the end of April, Mr Yavlinsky was contacted by Mr Primakov, who asked him to draft a letter from Mr Gorbachev to the Group. This process was completed by May 3.

The next day, Mr Primakov asked him to meet the president on May 5. He first met Mr Yeltsin, who told him that all republics would support a radical plan which would have western support – and called Mr Gorbachev to say so. Mr Yavlinsky then met Mr Gorbachev, with his aides Mr Alexander Yakovlev and Mr Primakov.

He gave Mr Gorbachev a copy of his own draft of a concrete action plan, fo the kind the Group of Seven might support. Mr Gorbachev proposed merging the contents of the letter into the action plan over the next week.

Mr Yavlinsky is now continuing to work on the reform project, whose ultimate shape depends on the complex interaction of the union and republican governments with opinion in the west.

Moscow and Peking sign border pact

CHINA and the Soviet Union, cementing ties after decades of ideological disputes, yesterday signed an agreement covering the eastern part of their common border, agencies report from Moscow.

The official Soviet news agency Tass said the agreement was signed in Moscow by Qian Qichen, Chinese foreign minister, and Mr Alexander Bessmertnykh, Soviet foreign minister. No details of the accord were published.

Portions of the 4,600-mile border have been in dispute for more than 30 years. The agreement settles some of the disputed sections but excludes some of the most troublesome areas, including islands in the Amur River over which the countries clashed in 1969.

The ceremony was attended by President Mikhail Gorbachev and Jiang Zemin, China's Communist Party leader, paying the highest level visit to the Soviet Union since Mao Zedong was there 34 years ago.

Cementing ties: Mikhail Gorbachev raises a glass to toast Jiang Zemin in celebration of the agreement in Moscow

East Germany to receive credits totalling DM36bn

By Katharine Campbell in Frankfurt

CREDITS totalling DM36bn ($21bn) will be channelled to east Germany via three government development banks during the course of this year, the Finance Ministry calculated yesterday.

The loans, through a variety of programmes with varying degrees of subsidy, are expected to preserve or create a total of about 500,000 jobs.

Some DM20bn of the funds will come via the Kreditanstalt für Wiederaufbau, which has already approved mainly long-term credits of DM10.4bn (distributing DM4.2bn of those). They are directed at a variety of public and private projects, ranging from housing programmes and environment clean-up projects.

The Deutsche Ausgleichsbank, the other development bank charged with administering the programme, has approved DM8.4bn worth of credits, including in the energy field, out of an expected total of DM12bn. The third is the Berliner Industriebank.

The principal handicap has been the complete breakdown of east German local government and administration.

● Germany's Social Democrats will form a coalition with the liberal Free Democrats in the state of Rhineland-Palatinate, where the ruling Christian Democrats suffered a key defeat last month, David Goodhart adds from Bonn.

To hold open the prospect of a similar arrangement at national level, the SPD leadership in Bonn preferred a Social Democrat/Free Democrat coalition in Rhineland-Palatinate, despite some rank and file support for another coalition with the Greens.

● The Treuhand privatisation agency said yesterday it had reached an accord to save the optics manufacturer, Jenoptik Carl Zeiss Jena.

Aid programme for Chernobyl launched

FIVE years after the Chernobyl nuclear explosion, the World Health Organization yesterday launched an international programme to assess the impact of the disaster, AP reports from Geneva.

The UN health agency said the project would investigate and combat the health consequences of the accident and prepare medical authorities to cope with future incidents.

It said special priority would be given to finding out whether there was a higher incidence of leukaemia and thyroid diseases among the population living near the nuclear power plant.

WHO said the programme would also examine psychological problems in nearby communities, where many people remain afraid to eat fresh food.

Dr Wilfried Kreisel, head of WHO's environmental division, told journalists the program would need to continue for about 20 years to give an accurate picture of the long-term impact of the explosion.

He said 270,000 people lived in areas of the Ukraine, Byelorussia and Russia affected by the April 1986 disaster.

A resolution adopted by the UN agency's annual conference endorsed the establishment of an international research centre based in the Soviet Union and appealed for donations to support the work.

● The European Commission said yesterday it would give aid worth about $60m to help rebuild health facilities in Iran and support agricultural projects in India and Paraguay, Reuter reports from Brussels.

The aid to Iran, Ecu13m ($15.6m) is the largest ever awarded by the European Community to that country.

The Commission said it would give Ecu26.7m to India for pilot projects in commercial horticulture and Ecu10.4m to Paraguay for the resettlement of landless farmers.

Yugoslavia remains in paralysis

By Laura Silber in Belgrade

YUGOSLAVIA yesterday remained paralysed after the country's state presidency continued to block the election of Mr Stipe Mesic, a Croat.

It was unclear yesterday who led the eight-member head of state following the failure to confirm Mr Mesic as president.

Despite the political and constitutional crisis, however, there were signs that some of the federal institutions continued to function.

Mr Ante Markovic, the federal prime minister, tried to damp fears that the country would fall apart following the rejection of Mr Mesic.

"Yugoslavia will continue to survive whether or not some of its functions exist," he said.

Serbia and its provinces of Kosovo and Vojvodina had voted against Mr Mesic. The representative from the republic of Montenegro abstained because the federal parliament had not yet approved its candidate for the presidency.

The presidency, which is represented by the six republics and two provinces, was expected last night to hold another vote on Mr Mesic.

● Mr Gianni De Michelis, Italy's foreign minister, announced yesterday that Poland will be admitted to the Pentagonal, an association of European countries working to promote political, economic, technical and cultural cooperation among themselves, AP reports from Rome.

Poland will join Austria, *Czechoslovakia*, *Hungary*, Italy, and Yugoslavia as members in Dubrovnik on July 26.

Mr De Michelis said the Pentagonal will then become a Hexagonal. Meanwhile Poland will attend the Pentagonal meeting Friday and Saturday as an observer, he said.

"Polish participation in this initiative demonstrates the will of central European countries to strengthen pragmatically their cooperation in this very important moment of European integration," said Mr De Michelis.

The Pentagonal was launched in Budapest on November 12, 1989, as a quadrilateral association.

Czechoslovakia joined the group in early 1990.

INTERNATIONAL NEWS

Better inflation outlook prompts one-point cut

Australia reduces interest rates to 10.5 per cent

By Kevin Brown in Sydney

THE Australian Reserve Bank moved quickly yesterday to take advantage of a sharply improved inflation outlook by cutting official interest rates by a point to 10.5 per cent.

The cut, announced jointly by the bank and Mr Paul Keating, the treasurer (finance minister), follows a fall of 0.2 per cent in the Consumer Price Index in the March quarter, which reduced the annual rate of inflation to 4.9 per cent.

Mr Bernie Fraser, the Reserve Bank governor, said a cut was "appropriate and responsible" in the light of indications that inflationary pressures were abating.

Official rates have now fallen by 7.5 points since they peaked at 18 per cent in January 1990, following a tightening of monetary policy designed to reduce an escalating current account deficit.

Two of the big four trading banks responded immediately by cutting commercial and housing interest rates by 0.5-1 per cent. The other banks are expected to follow suit shortly.

Mr Keating said the Reserve Bank's action should convince Australians that the economy would recover from the slow growth of the last five quarters.

However, economists said the 1 per cent cut in official rates was not fully justified by the reduction in underlying inflationary pressures, indicating that the government remains worried about the weakness of the economy.

The government was seriously concerned by a jump in the unemployment rate to 9.9 per cent in April, which intensified pressure from business organisations and the trade unions for a cut in official interest rates to stimulate demand.

Mr Stephen Roberts, chief economist at Dominguez Barry Samuel Montague, said the size of the reduction indicated the authorities might not be prepared to keep up the downward pressure on inflation in the long term.

News of the cut was received favourably by the markets. The Australian dollar edged up in local trading to $0.7828/33, from $0.7825/30, and the Australian Stock Exchange All Ordinaries index closed 21.2 points higher at 1540.3.

'Kidnap' sours N Korea, Japan talks

By John Ridding in Seoul and Emiko Terazono in Tokyo

A BIZARRE twist in the story behind the downing of a South Korean airliner in 1987 by North Korean terrorists may complicate attempts to improve relations between Tokyo and Pyonyang.

After more than three years of investigation, Japanese police have identified a Japanese woman allegedly kidnapped and taken to Pyonyang to train Ms Kim Hyon Hui, one of the two North Korean terrorists believed responsible for the bombing of Korean Air Lines flight 858 over Burma.

Ms Kim Hyon Hui, convicted of the attack which claimed the lives of 115 people, but pardoned and now a resident of Seoul, yesterday confirmed the identity of her former Japanese teacher.

"I knew it was her, as soon as I saw the picture," said Ms Kim, referring to photographs of Yaeko Takuchi, a 36-year-old Japanese woman.

According to Japanese police, Ms Takuchi, a resident of Tokyo, had vanished while walking on a beach in 1978.

The development appears to confirm Ms Kim's story that a Japanese citizen was kidnapped to teach her the language and is still being held in North Korea.

It is likely to have diplomatic repercussions between Japan and North Korea, which are currently holding a series of talks aimed at normalising bilateral relations.

The Japanese Foreign Ministry also announced that the case would be bought up at the talks between Japan and North Korea starting May 20 in Peking. But a foreign ministry official said that North Korea would probably deny any involvement, and blame South Korean propaganda.

Ms Kim Hyon Hui said she believed that a number of other Japanese women had been forcibly taken to North Korea.

She also said she had seen several Japanese women at parties given by President Kim Il Sung, the North Korean leader, and Kim Jong Il, his son and designated successor.

The Japanese police are now looking into the search of 6 people who are believed to have disappeared around 1978 from the coast of Fukui, in western Japan.

Baker mission 'neither made nor broken'

By Hugh Carnegy in Jerusalem

MR James Baker, the US secretary of state, yesterday wound up his latest Middle East peace shuttle, billed a week ago as a "make-or-break" mission, saying he had neither made nor broken his two-month attempt to arrange Arab-Israeli peace talks.

Mr Baker admitted after two days of intensive discussions with Israeli leaders that the two key issues holding up negotiations remained unresolved. But he insisted that the US would continue its efforts to overcome them.

"I am not disappointed because I do think that we're making progress," he said before flying back to Washington. He will report to President George Bush on his trip today and they will decide on their next move.

On the face of it, it was hard to see what real progress Mr Baker had made in a week that included talks with Syrian, Egyptian and Jordanian leaders, as well as the Israelis and Mr Alexander Bessmertnykh, the Soviet foreign minister who also visited the region in a co-ordinated effort to achieve a breakthrough.

The secretary of state acknowledged that he had not reconciled conflicting Syrian and Israeli demands over the conference which he proposes should launch substantive bilateral negotiations between Israel and Arab countries. Syria insists on a significant role for the UN and some sort of executive function for the full conference.

Israel rejects both demands, saying they would bias the process against it. Mr Yossi Achimeir, a senior aide to Mr Yitzhak Shamir, the Israeli prime minister, said Mr Shamir had not altered his position on either count in the latest talks. The Israeli side also backed off issuing a joint statement of positions with the US.

Mr Achimeir said the UN could play a part at the end of the process in formalising any agreements reached during negotiations, but Israel continued to reject even an observer role for the UN during the process.

Nor, he said, were Mr Baker's assurances that a full conference would have no authority "to impose solutions, veto results or to command the parties" enough to end Mr Shamir's opposition to the conference reconvening at any time after an initial formal opening.

Nevertheless, Mr Baker said: "I think that there are many, many more areas of agreement with respect to this process on the part of Israel and indeed on the part of many Arab governments than there are areas of disagreement."

He cited one positive move of his week – a pledge by the Gulf Co-operation Council countries to attend a peace conference as observers – as evidence of an unprecedented Arab willingness to conduct "face to face" discussions with Israel.

However, the GCC move failed to impress Mr Shamir and it was not clear what opening was left for Washington to pursue.

Kuwaiti groups say rights abuse still taking place

By Our Middle East Staff

OPPOSITION groups in Kuwait said yesterday that human rights abuses were continuing and blamed the violations on a lack of democracy.

"The authorities have regrettably chosen a path that cannot in the end – even if we assume its good intentions – but lead to violations of human rights and breaches of their sanctity," a statement, issued in Kuwait, said.

The groups called on the government to reverse a 1986 decree in which it dissolved parliament and froze several articles of the constitution.

There have been independent reports of human rights abuses in Kuwait, including torture and killings, since the Iraqi army was driven out at the end of February. Kuwaiti officials say they stopped several weeks ago. Palestinians, relief workers and diplomats say they are still going on.

Journalists have been invited to attend trials of some 200 alleged collaborators which start on Sunday.

Mandela warns that violence could spill into white areas

By Patti Waldmeir in Johannesburg

MR Nelson Mandela, deputy president of the African National Congress (ANC), yesterday warned that violence could spill over into white areas unless the South African government acts promptly to stop it.

He was speaking on the expiry of the ANC's latest ultimatum: a demand that the government ban the carrying of spears in public by yesterday, or see the ANC pull out of talks on the country's political future.

It appeared yesterday that breakdown in the talks would be averted, as government officials indicated privately that such a ban would be imposed. The ANC said it would take no further action until after its national executive met to consider the issue of violence, at a session due to begin today.

President FW de Klerk of South Africa, discussed the issue with Chief Mangosuthu Buthelezi, leader of the mainly Zulu Inkatha Freedom Party, in talks on Tuesday night which apparently failed to reach agreement.

Chief Buthelezi is insisting that the carrying of spears is part of Zulu culture, but the sight of heavily armed groups of Zulu men marching through black townships has often provoked violence. It appears that Mr de Klerk may have to impose the ban without Chief Buthelezi's approval.

Mr Mandela told a service to commemorate the death of 27 people at a squatter camp near Johannesburg on Sunday: "If the government allows the violence to continue because it is only affecting black people, there is a danger that it will affect white areas." Overall, nearly 10,000 people have died in black-on-black violence since 1984.

"If black people found out the government was working with the organisation they will arm themselves and take the violence into white areas," he added, in apparent reference to the Inkatha, which carried out the squatter attack. He added, however, that "there are many whites who respect and value our people".

Mandela: expiry of ANC's latest ultimatum

Donors raise aid pledges for Ghana

By Stephanie Gray and William Keeling

WESTERN donors' commitments to Ghana are set to reach $970m (£560m) next year, significantly higher than the $850m recommended by the World Bank as the minimum needed for the country's financing requirements in 1991.

The preliminary commitments, reached at a Paris meeting of the Consultative Group for Ghana, will be a mix of grant and concessional loans to provide balance of payments support. They are a sign of growing confidence in the stability of the Ghanaian economy, which is in the ninth year of a World Bank-supported structural adjustment programme.

At the same time, a syndicate of 22 international banks has made a $75m loan to the state-owned Ghana National Petroleum Corporation, marking Ghana's return to the international credit market after a gap of more than a decade.

The loan is to provide the petroleum corporation with working capital and is to be repaid in equal monthly instalments by mid-1992. The loan is supported by a government sovereign guarantee and will use foreign exchange proceeds from the 1991 cocoa marketing board contracts as collateral.

The syndicate of banks is led by Bankers Trust company of the US and includes Barclays of the UK, Banque Français, Ghana Commercial Bank and the West African based Ecobank Transnational.

In Paris, Mr Kwesi Botchwey, Ghana's secretary for finance and economic planning, said significant features of the next phase of the country's economic programme included further efforts to redress inflation and stimulate private sector development.

He also noted: "The process of democratisation and increased accountability would be essential to sustaining economic development."

The military government has agreed to talks on a constitution that will allow for political parties, the election of a national assembly and an executive president.

Actor steps onto India's political stage

KK Sharma meets Victor Banerjee, a new parliamentary candidate for the BJP

INDIAN ELECTIONS

IT came as something of a surprise when Victor Banerjee, who won accolades for his sensitive portrayal of Dr Aziz in A Passage to India, and has been associated with such renowned film directors as David Lean and Satyajit Ray, decided to enter the hurly burly of Indian politics.

It is a serious bid, as a parliamentary candidate from a Calcutta constituency on behalf of the controversial Hindu revivalist Bharatiya Janata Party (BJP), which is making a strong bid to form the government and spread beyond its base in northern India.

Wearing a crushed cotton *kurta* and pyjama, the chain-smoking, gaunt Mr Banerjee is an articulate spokesman for himself. He speaks fluent English in an accent that betrays his public school and upper-class Bengali upbringing – it is a far cry from the apologetic Dr Aziz with a fake Peter Sellers accent.

The 44-year-old actor defends his decision to join the BJP almost belligerently as he moves restlessly on a sofa in his house in a fashionable part of Calcutta. Tipped to be a Congress candidate almost until the day before his announcement last month that he was joining politics, Mr Banerjee says aggressively: "Eventually I followed my conscience."

Does his conscience permit him to follow the strong Hindu nationalist line of the BJP, with its commitment to demolish the Moslem shrine at Ayodhya and build a Hindu temple? He brushes aside the question as insignificant in the overall context of BJP policies.

He finds it "astonishing" that people should object to declaring India a Hindu nation. Mr Banerjee says earnestly: "It is the right nomenclature that will bring happiness to 80 per cent of its people and the minorities. Which other party is calling for equal rights for everybody, a common civil code and closer integration of the country?"

Yet Mr Banerjee has reservations about the BJP. Before taking the plunge, he had a long chat with its leader, Mr L.K. Advani, who led the Ayodhya protests last year, when he voiced some of his differences with the party.

Mr Banerjee admitted: "I admire Mr Advani but I did not support his *rath yatra* [chariot tour that preceded the Ayodhya protests]. I condemn violence of any kind. Mr Advani listened to me patiently, a sign that the BJP is a truly democratic party."

And if his conscience does not allow him always to toe the line, Mr Banerjee says he will simply quit the party.

Despite his western first name and Anglo-Saxon education, Mr Banerjee is a deeply devout Hindu and his friends say that, although he has no prejudice against any other religion, it is the Hindu in him which asserted itself when he thought of joining politics.

Beneath his decision to join the BJP lies a hatred of the Marxists who have ruled West Bengal for 12 years, "a period that is an unmitigated disaster" he says contemptuously (although he publicly professes admiration of Mr Jyoti Basu, West Bengal's Marxist chief minister).

Political analysts in West Bengal have no doubt that the Marxists will win West Bengal again. The constituency is made up of non-Bengali businessmen, Moslems and others not likely to be attracted by Mr Banerjee's acting career.

His main opponent, Mr Debi Pal, the sitting Congress member, gives Mr Banerjee no chance whatever, saying voters in Bengal will not be affected by the actor's glamour.

Mr Banerjee is campaigning hard, making the rounds of his constituency, often going from door to door and speaking at what seem to be well-attended meetings, although the unusual popular response suggests that people come because of his curiosity value.

And if the voters reject him? "I'm not really worried, you know. I'll just go back to what I have been doing. I'm a very happy and contented person, you know," he says thoughtfully, drawing deeply on a cigarette.

Victor Banerjee as Aziz in A Passage to India

Barzani hopeful of deal on Kurds

By Edward Mortimer

AGREEMENT between the Iraqi government and its Kurdish opponents on a new formula for Kurdish autonomy "may be possible within days", according to brief messages sent back to his mountain headquarters by the leader of the Kurdish delegation, Mr Massoud Barzani, who has been negotiating in Baghdad for the last 10 days.

The talks have been conducted in two committees. Both are said to have virtually finished their work, but this is unlikely to mean all disagreements have been resolved. More probably it means that the areas of disagreement have been defined and can be referred back to a plenary session – possibly another meeting between Mr Barzani and President Saddam Hussein (there were two last week).

The main sticking points are believed to be the government's insistence that the Kurds cut off all direct ties with foreign countries and conduct their foreign relations through the Foreign Ministry in Baghdad; and the size of the autonomous region – the Kurds claim Kirkuk as their capital, and are demanding the inclusion of other areas such as Khanaqin and Mandali excluded from the nominally autonomous area set up in 1974.

The Kurdish delegation took with it to Baghdad a draft statute for the autonomous region, which is an updated version of the one put forward by the Kurdistan Democratic Party in 1974 and rejected then by the government. The main points in this are:

● Kurdistan should have its own budget, including a share of oil revenues proportional to the Kurdish population.

● Iraqi forces in Kurdistan should be used exclusively to defend the country's borders. Their numbers should be agreed with the autonomous government and they should remain in specified barracks. Police and security forces should be part of the central interior ministry but be composed of Kurds and act according to directives from the local administration.

● An independent constitutional court, including some Kurdish judges, should settle disputes between the autonomous region and the central government.

In addition, the Kurds agreed to insist on a general amnesty and restoration of employment to all refugees, including members of the army and security forces; the return of "Faili" Kurds exiled to Iran in the 1970s, and their recognition as Iraqi citizens; and the return of all Kurdish peasants to their villages, with the reconstruction of the thousands of Kurdish villages that have been destroyed.

Despite Mr Barzani's optimism, his supporters remain deeply suspicious of the government's intentions. They believe its only real objectives are to get foreign troops out of Iraq and get economic sanctions lifted. Once these these are achieved it cannot be trusted to respect the terms of the agreement.

Accordingly the Kurds are doing their best to build guarantees, both external and internal, into the agreement. The government has opposed the notion of external guarantees. The internal guarantee would be the introduction of democracy in Iraq as a whole.

Pakistan passes Shariah law

Pakistani MPs yesterday passed a controversial bill making the Koran the supreme law of Pakistan and subjecting all aspects of life to Islamic tenets, AP reports from Islamabad. Passage of the legislation was a victory for Pakistan's Islamic religious parties, who extracted an election promise from Mr Nawaz Sharif, the prime minister, to introduce it.

US aids Bangladesh

A US military task force rushed medicines and food to cyclone-stricken areas yesterday, where news reports said an epidemic of diarrhoea and waterborne diseases is afflicting tens of thousands of survivors, AP reports from Dhaka.

PLO to keep arms

The Palestine Liberation Organisation told Lebanon yesterday its guerrillas would not give up arms but would help the government extend its sovereignty over the whole country, Reuter reports from Cairo.

Narrow election victory for Nepali Congress

By Rose Harrington in Kathmandu

THE NEPALI Congress party appears to have pulled off a narrow victory over strong Communist opposition, in Nepal's first multi-party elections in 32 years.

With 90 per cent of the votes counted, Congress had won 97 seats, just six seats shy of the 103 seats needed for an absolute majority in the 205-member parliament. The Communists were trailing with 65 seats and the two National Democratic parties, representing the former royalist one-party system, suffered a grave setback, winning only four seats between them.

The Congress victory was marred by the party's loss in four of the five constituencies in Kathmandu, the capital, and particularly the defeat of the Congress president, acting prime minister Krishna Prasad Bhattarai. The departure of Mr Bhattarai, a moderate who spent 14 years in jail during Nepal's 30-year struggle for democracy, is expected to boost extremists in both political parties.

"Nepal is in for a lot of street politics and instability," said Mr Rishikesh Shaha, a Nepalese political historian. "The Communist victory in Kathmandu will turn the Kathmandu valley into another Calcutta, with people resorting to street politics in opposition to the new government."

Under Nepal's new constitution, promulgated after last year's popular revolt against the absolute monarchy, the king will ask the party with the most parliamentary seats to form a new government. If Congress falls short of a majority, it is expected to join forces with the Nepal Sadbhavan (Goodwill) party, which won six seats in the southern region bordering India.

Most observers predict that Nepal's next prime minister will be Mr Girija Prasad Koirala, 66, general secretary of the Nepali Congress party, a man known for his ruthless political tactics and virulent anti-Communist rhetoric. Mr Koirala's repeated vows never to compromise with Communists are in stark contrast to the conciliatory approach of Mr Bhattarai, who led the coalition Congress-Communist cabinet that has ruled Nepal for the last year.

Leading the opposition is Mr Madan Bhandari, 39, general secretary of the Communist party, a militant leftist who defeated Mr Bhattarai by 751 votes.

Mr Koirala blamed the "less than satisfactory" performance of Congress, a strong favourite going into the elections, on organisational weakness, overconfidence, and the performance of the interim government.

Other observers attribute the strong Communist showing to a decision to lower the legal voting age from 21 to 18 years, adding an estimated 3m young people – most of them Communist – to the voting lists. Around 60 per cent of Nepal's 11m voters went to the polls.

Nepal's new government faces the daunting task of bringing down an annual inflation rate that stands officially at 9 per cent, but which economic analysts suggest may be as high as 20 per cent. With a per capita annual income of $170 (£98), Nepal is one of the poorest nations in the world, suffering chronic unemployment and shortages of basic consumer items.

The other big issue for the new government will be relations with India. A new trade and transit treaty between Nepal and India will be negotiated within six months.

AMERICAN NEWS

Attempt to speed sales of S&L property

By Peter Riddell, US Editor, in Washington

THE FEDERAL agency responsible for the rescue of the US savings and loan industry is being forced to change its sales techniques in order to dispose of $100bn (£58bn) in property and problem assets, which have failed so far to find buyers.

The proposal by the Resolution Trust Corporation (RTC) involves offering incentives to more than 50 insurance and property companies, and other investors considered to have the financial capability and expertise to handle large portfolios.

The corporation would sell large packages of assets in exchange for a share in the cash flow generated from them, such as office rents, hotel revenues and debt service. The buyers would offer a down payment and a split of the cash flow between them and the RTC, until the bid price for the assets were achieved.

All of the properties in the packages will already have been offered at discounted prices for at least six months without takers. The present formula of seeking the highest competitive offer is widely regarded as inflexible; the RTC believes more will be sold via direct negotiations.

Mr William Seidman, RTC chairman, said the change to bulk sales had become necessary because of the unfavourable market conditions: "If we could sell $1m a day, it would take us 300 years to sell those assets. The only way we can hope perhaps to stay on the schedule the Congress set [finishing by 1996] is by large sales to large buyers."

Declining interest rates revive US housing market

By Michael Prowse in Washington

HOUSING starts in the US rose 8.2 per cent in April over the previous month, according to official statistics published yesterday, indicating that lower interest rates are starting to revive the housing market.

Also yesterday, encouraging news for US borrowers came from Mr Alan Greenspan, Federal Reserve chairman, who told a Senate committee the "credit crunch" - the apparent reluctance of banks to lend to credit-worthy customers - might ease soon. He said the crunch reflected banks' desire to rebuild capital ratios by raising profit margins.

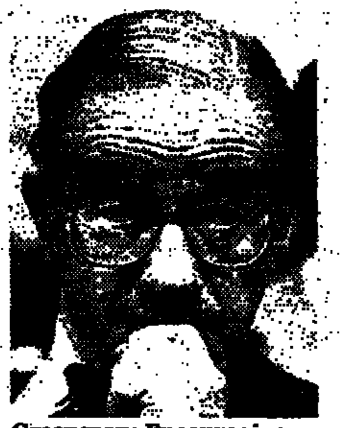
After seasonal adjustment, housing starts ran at an annual rate of 957,000 last month - 13.6 per cent above the January trough. The recovery, however, remains tentative: in April starts were 21 per cent below the level of a year ago. The average rate of starts in the past three months was 3 per cent below the average in the preceding quarter.

Figures for building permits - which provide the best guide to future construction trends - were less encouraging, dipping 3 per cent last month to a seasonally adjusted annual rate of 865,000. That is 7.5 per cent above the January low but 23 per cent below the level of April last year.

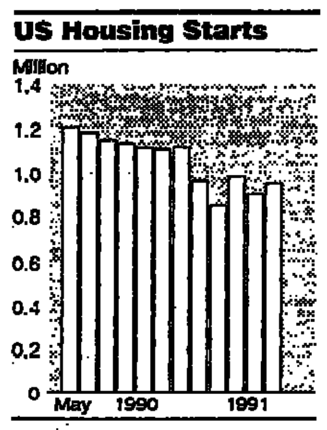
Other indicators point to a modest housing recovery. Sales of existing homes rose 5.9 per cent in February and 0.6 per cent in March; sales of new homes were up 18.6 per cent and 1 per cent respectively. In both cases, though, the gains only made good a small portion of earlier declines.

The recovery in starts mainly reflects increased construction of one-family units. Building of apartment blocks with five or more units is still declining: the annual rate of starts was 136,000 last month, 19 per cent below the January level and about half that of April last year.

There are also big regional variations.



Greenspan: Encouraging



Treasury raps Seoul over controls

By Peter Riddell

THE SOUTH Korean government has been strongly criticised by the US Treasury for maintaining pervasive exchange and capital controls, and for discriminating against foreign financial companies.

In the latest of its six-monthly reports to Congress on international economic and exchange rate policy, the Treasury also underlines US concern over the risks of a wider world recession in the Group of Seven industrial countries.

The report returns to the case made by the US at the meeting of G7 finance ministers in late April that "a recovery of world economic activity is by no means certain." It highlights the problem of high real interest rates in many countries dampening investment and growth prospects.

The new report is particularly critical of South Korea for doing little to address the need for broader liberalisation of its tightly controlled financial markets, including deregulation of interest rates and ending credit allocation schemes.

The Treasury views "these issues as evidence that the Korean government is unwilling in certain important areas to address the fundamental concerns of the US."

The report is less critical of Taiwan's exchange restrictions, though it argues that they impede the full operation of market forces in exchange rate determination.

Pinochet drops visit to South Africa

General Augusto Pinochet, Chilean army chief, has dropped a planned visit to South Africa from his controversial foreign tour, writes Leslie Crawford in Santiago.

The African National Congress and South African trade unions have condemned any Pinochet visit. This raised fears about his safety.

Military sources in Santiago said the general would probably visit Britain. It is believed that he was invited by Royal Ordnance, which is developing a short-range artillery rocket with Famae, a Chilean army manufacturer. The former dictator was yesterday in Portugal visiting arms makers.

Canadian blockade

Canadian police were called yesterday to break up a blockade by 1,300 heavy lorries which had brought the country's busiest expressway to a virtual standstill for the past two days, writes Bernard Simon in Toronto.

Drivers blocked the Trans-Canada Highway near Toronto to draw attention to the harsh competition they have faced from US trucking companies since the local industry was deregulated two years ago.

US toxicity down

The amount of toxic chemicals released into the environment by US industry is declining slowly, according to government figures published yesterday, Reuter reports from Washington.

The Environmental Protection Agency (EPA) said that, in 1988 and 1989, 22,650 industrial facilities released 5.7bn lbs of toxic chemicals into the environment, 1.3bn lbs (18 per cent) less than in 1987, the first year recorded.

Brazilian surplus

Brazil's trade surplus rose to $1.41bn in April, its highest level in nine months, from $1.08bn in March, according to official figures, Reuter reports from Rio de Janeiro. April exports were $3.03bn and imports $1.61bn, compared with $2.6bn and $1.53bn respectively in March.

Just south of the border, down pollution way

Barbara Durr finds environmental damage behind debate over a US-Mexican free trade pact

YOUNG people in Juárez weren't getting high sniffing glue - they were using toxic waste. The chemicals, oozing from containers thrown in a local garbage dump, were traced to the *maquiladora* plant of an US-owned company.

This incident in Juárez, on the south side of the US-Mexican border across from El Paso, Texas, is but one example of the 2,000-mile frontier's environmental calamity.

Environmental damage there is a main complaint by those who oppose the US Congress granting the Bush administration the fast-track authority it is seeking to negotiate a free trade agreement with Mexico.

Green-minded activists charge that the *maquiladoras* - in-bond factories strung along the Mexican side of the border - have escaped compliance with US environmental and workplace safety standards by setting up shop across the line where, although the relevant laws are similar to those in the US, enforcement is weak.

To defuse this opposition, the US administration has had to promise that despoliation of the environment will not continue. The Mexican government, also feeling the pressure, has moved to tighten environmental inspections.

But along the border - which stretches from Brownsville in Texas, on the Gulf of Mexico, to San Diego in California, on the Pacific - evidence of environmental damage done is nose-searing, and the health problems associated with it are rising swiftly.

For example:

- The aquifer that serves both Tijuana, Mexico and southern San Diego County is being poisoned by toxic chemicals dumped by *maquiladoras* and other US companies.
- Miles of some of California's most beautiful beaches, in south San Diego, are closed because of the pollution that flows to the Pacific from Tijuana.
- The water in Nogales, Arizona, is being contaminated by the stream that flows from its twin city of Nogales, Mexico. New, stubborn strains of hepatitis-A are being found.
- In El Paso, the rates for gastro-intestinal diseases run four times or more higher than the US national averages because of the lack of a good water supply, particularly in the city's poorest areas.

The health situation on the border, according to Mr Efren Ornelas, an epidemiologist at El Paso's City-County Health unit, "is a time bomb."

Officials and business leaders on both sides of the border agree that a crucial factor in the region's deteriorating environment and health is the inadequacy of infrastructure to handle the industrial and population growth that has come with *maquiladoras*.

Pro-free trader Mr Charles Page, of the Greater El Paso Chamber of Commerce, argues that environmental protection depends on implementing green technologies "to minimise the impact and remedy the unavoidable results of the development of the *maquiladora* industry in Mexico."

Inputs for the industry, created in 1965 by Mexico to attract foreign investment, arrive duty-free as long as the plants' products are for export. US Customs charges apply only to the value added in Mexico.

The industry includes about 1,800 plants and employs some 500,000 people. It has become the second largest foreign currency earner for Mexico after oil. Some of the glibbest plants - such as those of Ford, General Motors, Chrysler, GE, Honeywell, and Zenith - are in Juárez and have led to an estimated doubling of the population to about 1.4m in the last 10 years.

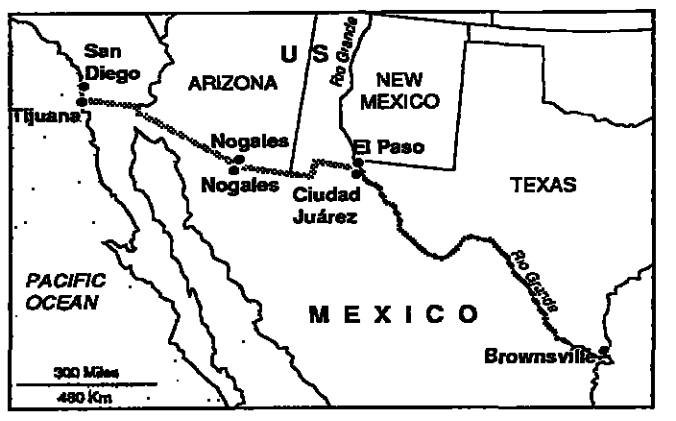
Infrastructure has been outstripped. Many roads are unpaved, and running water, electricity and sewage systems do not reach many districts. The mayor, Mr José de Jesus Macías, has a wish list of $400m of infrastructural projects' his budget is just $40m a year. Across the border in El Paso (population 550,000), the mayor, Ms Suzanne Azar, can spend $350m.

Like other border cities, El Paso and Juárez hope to attract investment and play a big part in a US-Mexican FTA. But their overloaded infrastructure and environmental troublesmay drive investment elsewhere in Mexico.

Yet if, as expected, an FTA means a multiplication of *maquiladoras*, these are apt to repeat some of the border's problems elsewhere because they pay virtually no local taxes.

Investment in the industry provides jobs but little in public revenues. Also, wages are so low - about a seventh of those in the US for similar jobs - that the *maquiladoras* fail to create communities of taxable local residents.

An FTA that does not address some of these economic issues is unlikely to produce the kinds of benefits that both governments want.



Argentine officers attack Menem's military policy

ARGENTINA'S persistent military unrest took a fresh twist yesterday as two former senior officers expressed bitter discontent over the government's military policy, John Barham reports from Buenos Aires.

Brigadier Ernesto Crespo, former air force commander, said Argentina was behaving like a "banana republic" in complying with US demands that it dismantle, rather than simply suspend, its Condor II missile project.

Last year, Agentina halted development of the project in response to US concerns over the spread of missile technology. Diplomats say the air force is defending the Condor project to justify its budget and reinforce its self-esteem. The service is seeking $200-300m "compensation" from the US for halting the project.

General Jorge Arguindegui, former army commander, stated that dwindling budgets were "destroying the armed forces as a fact of power in Argentine society".

President Carlos Menem is expected to punish Brig Crespo and Gen Arguindegui. He said the armed forces should understand the whole country was in difficulty.

WORLD TRADE NEWS

Delivery of boats to Jordan delayed by payment claim

By David White, Defence Correspondent

THREE British-built naval patrol boats destined for Jordan are lying at Portchester, near Portsmouth, waiting to be handed over once remaining payment claims are settled.

Vosper Thornycroft, the manufacturer, had been hoping to hand over the vessels last summer. But payment delays were compounded by the Gulf crisis and potential political difficulties resulting from Jordan's sympathetic stance towards the Iraqi regime.

Jordan's support for Iraq prompted the US government to cut off military aid to the country last month. However, it is understood that the UK export licence for the Vosper sale remained valid throughout the conflict.

The patrol boat contract, estimated to be worth about £20m, has been handled with considerable discretion since it was agreed in 1987.

Mr Peter Usher, Vosper Thornycroft's chairman, said yesterday that the company had recently resumed negotiations in Jordan and only a small part of the money owed was still outstanding. The last of the three 30-metre fast patrol boats, built to carry a crew of 16, was completed late last year.

The Department of Trade and Industry, which is responsible for issuing arms export licenses in consultation with the Foreign Office and the Ministry of Defence, said deliveries to Jordan would be considered "on their own merit" on the same basis as any other country. Sales to Jordan were, however, subjected to scrutiny during the Gulf conflict.

Two years ago Jordan shelved an order to buy eight Tornado fighter-bombers from Britain because of its debt problems. The deal would have been worth almost £500m, including training and spares.

US semiconductor industry plans a new era

By Louise Kehoe in San Francisco

THE US National Advisory Committee on Semiconductors (Nacs) has unveiled a "technology roadmap" defining the technology advances that would be required "to assure US pre-eminence in world semiconductor markets through the year 2000". This appears to be the first step toward advancing a radical plan for broad industry-government collaboration in semiconductor research and development.

The proposed initiative involves "focusing the numerous disjointed efforts to advance semiconductor technology that exist throughout the US in industry, federal laboratories and agencies, and the universities", the Nacs said.

The "Micro Tech 2000" initiative is the result of a three-day workshop involving semiconductor industry and government experts held last month. The event was sponsored by the White House Office of Science and Technology Policy (OSTP).

"The semiconductor industry is entering an era where no single company has the financial resources to develop all the manufacturing processes and equipment and build the factories needed to process chips at the end of the decade," according to a "Micro Tech 2000" report.

By the turn of the century, factories capable of building the most advanced semiconductor chips will cost between $1.5bn (£855m) and $2bn and it is estimated that only about 10 such plants will be required to satisfy world demand. Fewer than five of these plants are expected to be in the US.

"These enormous financial demands, coupled with major technical risks ... will force a new culture of co-operation and sharing within the US and the world semiconductor industry," they predicted.

The goal of "Micro Tech 2000" is to provide the US with the manufacturing technology to build one gigabit static random access memory circuits by the end of the decade.

The high-level committee, appointed by President Bush is charged by Congress with "devising and promulgating a national semiconductor strategy". It will issue an interim report in July detailing the proposed initiative and outline how it might be organised.

US frustrated by Japanese, page 20

S Koreans head for east Europe

By John Ridding in Seoul

SOUTH KOREAN companies have stepped up trade and investment with eastern European countries following the normalisation of diplomatic relations, according to the state-backed Korea Trade Promotion Corporation (Kotra).

It says the expansion of economic relations reflects an attempt by Korean companies to diversify their markets and to overcome expected trade barriers in eastern Europe. In the first quarter this year a number of south Korea's *chaebol*, the large conglomerates which dominate the economy, undertook new projects.

Hungary has so far proved the most popular location for Korean investment. Samsung has a joint venture factory for the manufacture of televisions.

Another conglomerate, Lucky Goldstar, has reached an agreement with Pannon Plast of Hungary to form a joint venture for the manufacture of PVC flooring.

Hyundai Electronics, part of the Hyundai group, formed a joint venture with Selko Industry, the Polish company, for the distribution of computers, computer-related equipment and telecom equipment.

Brussels to avoid curbs on Japanese 'transplant' cars

By Andrew Hill in Brussels

THE European Commission will not seek to control production of Japanese cars within the EC during the transition to an open market for car imports, Sir Leon Brittan said yesterday.

Brussels wants to eliminate national restrictions on Japanese car imports by 1993, after which imports will be monitored by Tokyo and by the Commission for a transition period expected to end with full liberalisation by 1998 or 1999.

Sir Leon, the competition commissioner, said he wanted to clear up "public confusion" on the issue of EC-built Japanese cars, known as "transplants".

He said although production of such cars would be taken into account when deciding on transitional arrangements, it was not the Commission's intention to limit foreign investment in European car production "which we wholeheartedly welcome", nor to limit actual production or distribution of transplants within the EC.

Dornier wins US orders

GERMANY'S Dornier aircraft manufacturing company said yesterday it had received orders for 35 passenger planes from Horizon Air of the US, with options for 25 more, AP reports from Oberpfaffenhofen.

The company said the 33-passenger Do-328 models will be delivered between 1993 and 1997, in a deal worth about DM440m ($257m).

The order represents a "milestone" for the programme, Dornier said.

Dornier is a subsidiary of Daimler-Benz, Germany's largest industrial group.

Gatt postpones decision on extending multi-fibre pact

A DECISION on the extension of the Multi-Fibre Arrangement (MFA) beyond its expiry date on July 31 was postponed again yesterday in the textiles committee of the General Agreement on Tariffs and Trade (Gatt), writes William Dullforce in Geneva

Mr Arthur Dunkel, Gatt director-general, said some progress had been made in consultations between exporting and importing countries but more time was needed to arrive at a consensus.

Nearly half of the $180bn world trade in textiles and clothing is conducted under the MFA under bilateral arrangements which conflict with Gatt's principles. An objective of the Uruguay Round trade talks has been to replace the MFA; failure to complete the Round last December means a decision is required on how trade is to be conducted after July 31.

Last week exporting countries grouped in the International Textiles and Clothing Bureau proposed that the MFA be extended in its present form until the end of 1992.

But the conditions they attached are unacceptable to the EC and the US.

Latvia awaits Soviet go-ahead for investment

By Enrique Tessieri, recently in Riga

MR MARIS Gailis, the Latvian head of foreign trade, expects that Latvia's first-ever foreign investment legislation since 1940 will get approval from the Supreme Soviet in the next two to three months. The Latvian parliament approved the new legislation more than two weeks ago.

Latvia hopes to pave the way for greater foreign investment by granting incentives like tax breaks. At present Latvia's 200-odd joint ventures - mostly of German, American and Swedish origin - have been established under the Soviet joint venture law. Ninety per cent of Latvia's joint ventures do not have share capital exceeding Rbs100,000.

"We are especially promoting foreign investment in the following fields: food industry, timber, pulp, agriculture and high-tech machinery, microbiology, tourism, and electronics, as well as all business activity which has to do with modernising infrastructure, like ports," explained Mr Gailis.

Even if it not clear what status Latvia's new foreign investment legislation has in Moscow, if approved, it will grant two-year tax holidays and additional three-year 50 per cent tax breaks for foreign companies if they establish themselves in strategic areas like food and electronics.

Riga has not yet decided whether foreigners must own $50,000 or $100,000 of the share capital of a company to get government approval to establish a business in Latvia. Apart from not allowing foreigners to gain a monopoly in strategic sectors like refining, or to own all the petrol stations, they cannot own any stakes within companies which produce weapons or narcotics, or print money or security documents.

Bulgarian company starts a revolution

Judy Dempsey and **Ariane Genillard** report on a concern which broke the state's grip

A BULGARIAN textile factory, whose order books were full, and which had a Foreign Trade Organisation (FTO) to look after its interests has chosen to break with this comfortable risk-free arrangement and declare itself independent.

In a move aimed at attracting western partners and gaining complete autonomy from the state, Vitosha, a textile company based on the outskirts of Sofia, the capital, opted to break away from Rila, *the FTO for the textile industry*, which provided it with raw materials and markets.

The opportunity to become independent arose last November when Bulgaria's former socialist government pushed through a bill aimed at breaking up large monopolies, including FTOs.

Although the state continues to own enterprises, and has yet to define property and ownership rights, this legislation was seen as the first step towards preparing enterprises for privatisation by granting them financial and political independence.

Vitosha's management, and its 1,500 strong work-force, immediately seized the opportunity to break away from Rila. They felt they had little *to lose*. "We *really had no say* over anything we did in the plant," explained Mrs Irena Petrova, who is head of production at Vitosha.

"We had a meeting at which we voted to quit Rila. We informed Rila of the decision. After that, we submitted our resolution to the government. That was it. Soon afterwards, we held elections and competent staff were elected to the board of directors," explained Mr Bogdan Stoyanov, deputy manager of Vitosha. The company specialises in producing men's and ladies' wear and is one of the few Bulgarian labels capable of competing with western markets. Its suits are worn by the country's ministers, its overcoats are bought by German, Greek and Canadian *wholesalers*.

But despite this apparent success story the company, founded in 1947, became increasingly stifled by the way in which the FTO organised its activities.

As in other countries in eastern Europe, the FTOs were set up in the late 1940s to act as the mediator between the enterprise and the buyer.

But unlike western marketing agents, enterprises in eastern Europe had little say about their own output, exports, or marketing strategy. In the case of Vitosha, the management was instructed to export 20 per cent of its total turnover to the Soviet Union, while 30 per cent was earmarked for the domestic market, and the remainder for western markets.

Although the Soviet market was a reliable and potentially huge one, Mr Stoyanov has no regrets about trying to shift exports to new markets in the west. He says there were no incentives for Vitosha to improve quality, or increase *exports to its giant neighbour* because Rila did not pay Vitosha for any goods sold to the Soviet Union.

"Look, if the Soviet Union does not pay us in dollars, we will go elsewhere. If they want our goods, they will have to pay for them," explained Mrs Petrova. There were previously few incentives to export to western markets. Rila did not pay Vitosha any foreign exchange earnings for any items sold in the west. "Instead, we got paid in Leva (the Bulgarian unit of currency)," said Mrs Petrova.

Under new regulations, Vitosha will be able to receive payments directly from the purchasers and hope to double its turnover. Last year, Vitosha had a total turnover of about 10m Leva ($700,000). "A lot depends on winning new contracts - and with European firms," explained Mrs Petrova.

But she believes the company is competitive enough - labour costs are low - and more than capable of fulfilling contracts for west European wholesalers. The average daily wage for an employee at Vitosha is 35 leva ($2.30) - or about 700 leva a month, which is above the average salary.

However, in addition to having to deal with the harsh domestic economic climate, Vitosha has no idea about marketing strategy, buying raw materials, pricing policy or recruiting skilled labour. "We have to start somewhere," said Mrs Petrova. The break with Rila is the beginning.

Portuguese mobile phone network bids

By Patrick Blum in Lisbon

SEVEN international consortia have put in bids for the licence to operate Portugal's planned private mobile telephone network with projected investments of between $100m and $250m over several years.

Bids will be opened on June 12, and the government is expected to award the contract for a 15-year operating licence in July. The new network will mark the end of the state's telephone monopoly.

Foreign participation in the operating company has been limited to a maximum 25 per cent shareholding, but this has not deterred strong interests by international groups which in associations with Portuguese partners include: Cable & Wireless jointly with Sonae; British Telecom with Compta (an electronics and telecommunications company); and Racal with a local media group.

BA presses for European deregulation

By Paul Betts, Aerospace Correspondent

BRITISH Airways, the UK flag carrier, is pressing Mr Malcolm Rifkind, the transport secretary, to campaign for total airline deregulation in Europe before granting US airlines new rights to fly to the UK.

Lord King, BA's chairman, also attacked the government's multi-airline policy and its recent decision to give new US carriers access to London's Heathrow airport.

"A multi-airline policy can only make sense for this country in the context of a deregulated Europe. The UK domestic market is simply too small for policy makers here to continue to promote a multi-airline policy deliberately biased against British Airways," he said.

BA, which is next week expected to report sharply lower earnings for its financial year ending last March, is now facing fierce competition at its Heathrow home base with the arrival of United Airlines and American Airlines, the two largest and financially strongest US carriers.

After negotiating a new aviation agreement with the US earlier this year, the government is embarking on new discussions with Washington over an "open skies" policy between the two countries.

Norway accuses UK of delaying new gas deal

By Juliet Sychrava in London and Karen Fossli in Oslo

NORWAY yesterday accused the British government of delaying an important deal to import Norwegian gas to the UK.

Mr Finn Kristensen, the Norwegian energy minister, said Norway was waiting for the UK Department of Energy, to approve the contract between Statoil, the Norwegian state oil company, and National Power, the UK electricity generator.

Speaking at the sixth European Gas conference in Oslo, Mr Kristensen said the UK had given Norway no sign of its intentions so far.

The 15-year deal, thought to be worth around £150m, was first announced by National Power in early April, when it agreed to buy 2.2bn cu m of gas a year from Statoil. It is viewed as a test case for the UK's policy on Norwegian imports.

Norway was ready to approve the deal, Mr Kristensen said yesterday, and was waiting for the UK government to clarify its position.

The Department of Energy yesterday said it was not in a position to discuss the proposals which were commercially sensitive, and raised questions of national interest which the government needed to consider carefully. But, a spokesperson said: "we are interested in a more open and competitive gas market, which we don't have in Europe".

In order to agree the Statoil-National Power deal, the government would have to amend its existing gas treaty with Norway, signed in July 1977, to allow more gas to flow through the Frigg pipeline which runs between the Frigg gas field in the Norwegian North Sea, and St Fergus in Scotland.

At present, the treaty only allows annual imports of 3,300 cu m of gas from Frigg and satellite fields.

Amendments to the treaty would have to cover such issues as jurisdiction and approval for gas from a new field to use the pipeline.

Although Statoil and National Power have decided to use the Frigg pipeline it would be possible to build links with other UK-Norwegian pipelines to take the gas.

National Power said yesterday that it was still waiting for a response on the deal from the Department of Energy.

Brooke struggles to keep Ulster talks alive

MR PETER Brooke, the Northern Ireland secretary, was yesterday still struggling to keep his initiative alive as nationalists in the province and the Irish government considered their response to a deal he has struck with Unionists.

After three weeks of intensive talks, the traumas and mountainous difficulties surrounding negotiations on a new political future for the province are looming with ever greater menace.

Mr Brooke was consulting with the nationalist Social Democratic and Labour Party (SDLP) and the Dublin government about the agreement with Unionists which, in effect, undermined his previous ultimatum over the venue for talks involving the Irish government.

Nationalists were privately criticising him for not enforcing his deadline. He is in danger of "debasing his coinage", said one member of the SDLP delegation. The unfolding of events illustrates just how difficult is the approach chosen by Mr Brooke. He has no preconceptions about what the outcome might be.

Rather he is trying to reconcile the conflicting aspirations of Northern Ireland's two communities, and rework the relationship between Britain and Ireland.

Neither the Irish government nor the SDLP would comment publicly on the talks yesterday. But Irish officials were confident that discussions between the constitutional parties on a devolved government in the province would go ahead on Monday.

Agreement, however, has still to be reached on the venue for the second strand involving the Irish government – a dispute which was supposed to be resolved before before "round-table" talks got underway.

The choice of an independent chairman for the second strand could surface as the next big obstacle.

The Irish government did not want to discuss its constitution with Mr Brooke in the chair; the Unionists would not accept Mr Gerry Collins, the Irish foreign minister.

The chosen candidate would probably be neither British or Irish, but have a grasp of Northern Ireland's intricacies. The successful chairman would have to be perceived as being without bias.

After that, the arguments could centre around the precise venue in Northern Ireland, or perhaps the starting date. That is even before disputes on substantive issues.

Unionists or nationalist leaders, representing communities embittered by two decades of terrorism, dislike to be seen as giving ground.

Their experience is of defending long-held positions, not in negotiating. Suddenly the total of 11 weeks set aside for discussions looks alarmingly short.

Mr James Molyneaux and the Rev Ian Paisley, leaders of the two main unionist parties, appear to have won points with a qualified acceptance of proposals for the second strand. This had already been agreed unconditionally by the SDLP and Alliance parties.

The unionists claimed at a meeting with the prime minister, Mr John Major, that the plans for an independent chairman, proposed by Mr Brooke in private at the end of last week, were being foisted on them by Dublin.

The Irish government and the nationalist SDLP were muted in their response yesterday.

There were grumblings about the Unionists "pulling a stunt", but there was a recognition that it was they who would be seen as the stumbling block if they refused to proceed as the Unionists envisaged.

Dublin feels that, although the lack of an agreement on the venue and chairman was unsatisfactory, at least a complete breakdown had been averted.

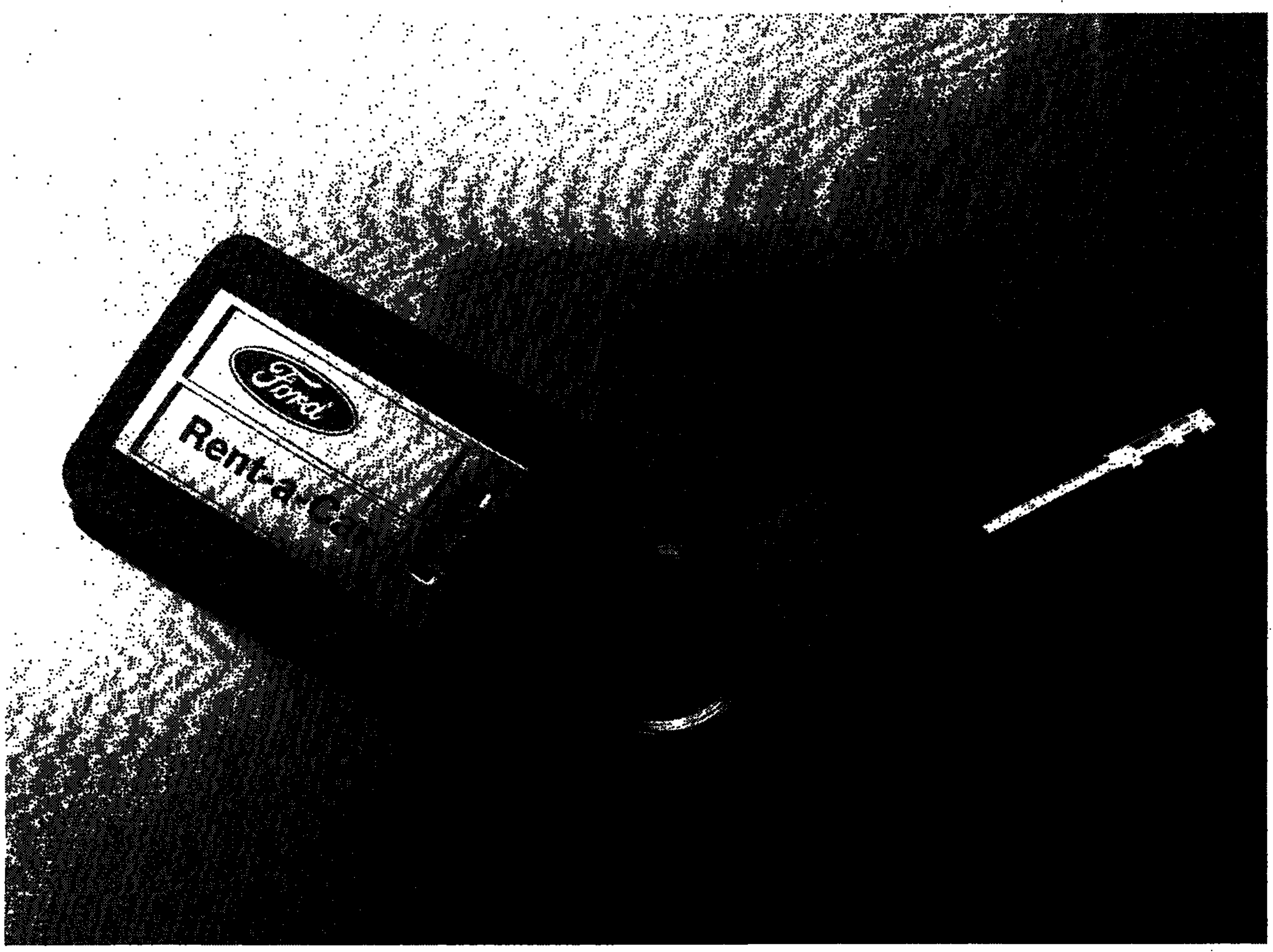
Questions are being asked about why the Northern Ireland Office had not once mentioned an independent chairman in 15 months of "talks about talks".

Ministers and officials are accused of seriously underestimating the logistical nightmares that have surfaced.

With discussions taking place largely behind closed doors and Mr Brooke revealing little, it is hard to make an objective assesment.

But Mr Brooke's mantle is one that an independent chairman is likely to inherit with some trepidation.

Ralph Atkins and Kieran Cooke



ECONOMY

Recession forces more companies to make job cuts

By Peter Marsh, Economics Staff

THE recession is having an accelerating effect in forcing manufacturers to shed jobs, according to the latest unemployment figures, released yesterday.

Seasonally adjusted unemployment rose last month by 84,100, taking the total to 2.175m, or 7.6 per cent of the workforce. Some of the largest increases were in regions with large concentrations of industry, illustrating that manufacturing, which was initially spared the worst effects of the recession, is now bearing the full brunt.

Since unemployment first started rising in March last year, around the start of the economic downturn, 568,000 people, including 100,000 women, have lost their jobs. Yesterday's figures also revealed a large cut in people on the government's Employment Training programme, from 197,000 in April to 172,000 in May.

In March, employment in manufacturing went down by 45,000 on a seasonally adjusted basis, the largest monthly fall since October 1984. Employment in this sector declined by 97,000 during the first three months of 1991, compared with falls of 72,000 and 27,000 in the third and fourth quarters of 1990 respectively.

In the early months of the recession, parts of the country associated with service industry, such as south-east England, suffered the worst effects of cuts in employment.

But last month, northern England and the west Midlands, which are traditionally associated with manufacturing industry, saw their unemployment rates rise in each case by 0.4 percentage points, to 10 per cent and 8 per cent respectively.

The unemployment rate in Yorkshire and Humberside in the north-east, another industrial region, rose 0.3 percentage points to 8.3 per cent. All three of these regions had unemployment levels which barely rose between March and September last year, since when they have climbed sharply.

The bleak state of manufacturing is underlined by statistics showing that hours lost due to short-time working – staff being asked to reduce their time at work as demand slumps – increased by 38 per cent in March to stand at an average of 1.02m hours a week, the highest total since 1983.

In the south-east, the unemployment rate last month was 6.3 per cent, up from 6 per cent in March 1991. In March and September last year the comparable figures were 3.6 per cent and 4 per cent.

In the economy as a whole, another sign of weak demand is that registered job vacancies fell 18,400 in April to stand at 125,100, the lowest number since February 1983.

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Savings match world demand, says Bank report

By Peter Norman, Economics Correspondent

THE BANK of England believes that world savings should prove adequate to meet the demand for capital arising from the liberalisation of eastern Europe and reconstruction in the Gulf. This is partly because of the slowdown in economic activity in the industrial world, it says.

In its latest quarterly bulletin, it forecast the six biggest overseas economies would grow by only 0.75 per cent this year against 2.5 per cent last year.

United Germany would probably achieve only 0.5 per cent growth in 1991, although this could rise to around 3 per cent yearly in 1992 and 1993.

It said there is little evidence to justify immediate concern over a "shortage of savings". In a swipe at recent US calls for lower interest rates to deal with such an eventuality, it said that the correct policy response would be to raise public sector saving by reducing fiscal deficits and to augment incentives for household saving.

● London's share of the international banking market has declined over the past two years despite an increase in international business transacted in the City, the Bank of England reported yesterday.

Its latest quarterly bulletin disclosed that London's share of the world banking market fell to 18.4 per cent at the end of September from 20.9 per cent at the end of 1988.

Investment by industry falls sharply to £2.6bn

By Rachel Johnson, Economics Staff

CAPITAL spending by the manufacturing industry dropped sharply to £2.6bn in the first quarter of this year, taking investment back to 1987 levels.

The Central Statistical Office (CSO) yesterday provisionally estimated that expenditure was almost 11 per cent lower in the first quarter compared to the previous quarter and 20 per cent lower than in the first quarter of last year.

This is the largest annual fall since the last recession, when spending fell by 24 per cent between the third quarters of 1980 and 1981.

Officials said the results showed companies were turning to leasing in order to increase their cash flow and reduce capital outlays.

The total figure included direct expenditure of £2.2bn and leased assets of £332m. In the previous quarter, these amounts were £2.5bn and £348m respectively.

The fall in spending tallies with a projection by the Confederation of British Industry that fixed-investment intentions were at their weakest for a decade. CSO figures showed that on an annual basis, there were decreases of almost 22 per cent over the quarter for vehicles, over 11 per cent for plant and machinery and over 3 per cent for building work.

The survey is the first since the inquiry was made statutory in a bid to improve the quality of statistics.

UK NEWS

BT sell-off date suggests late election

By Roland Rudd

THE UK Treasury has chosen November to sell part of its remaining stake in British Telecom, worth around £11bn, fuelling speculation that it is not considering holding the general election this year.

Government advisers, however, made clear that the date did not rule out an October election, noting that contingency plans had been made to sell the BT stake early next year if Mr John Major, the prime minister, decides to go the country before November.

The Treasury is close to finalising the structure of the sale of shares in BT, the UK's main telecommunications company. This is expected to break with past sell-offs by separating the sale to small investors from that to institutions.

Ministers are considering a longer period for the retail sale allowing the maximum number of people to use banks and building societies to buy shares.

One option is to dribble the stock out in batches over two days, at a discount to the existing BT share price, similar to the way a gilts tap stock is sold.

The Treasury is keen to try to ensure that the sale attracts a wider group of individual investors than has emerged in previous government sales.

Ministers hope to shorten the period of the institutional sale, which in theory need be no longer than 24 hours.

GUINNESS APPEAL

Saunders wins substantial cut in five-year jail term

By Raymond Hughes, Law Courts Correspondent

THE five-year jail sentence on Mr Ernest Saunders for his part in the Guinness affair was halved by the Court of Appeal in London yesterday.

The former Guinness chairman and chief executive will therefore become eligible for parole on June 28 - after serving one third of the reduced sentence – and could be freed from Ford open prison in West Sussex, southern England, very shortly afterwards.

Lord Justice Neill said the five-year sentence, imposed at the end of the six-and-half months trial, was "substantially too high".

The court also reduced from 30 months to 21 months the sentence on Mr Anthony Parnes, a City stockbroker. Mr Parnes, who is also in Ford prison, is therefore immediately eligible for parole.

An appeal against sentence by Mr Gerald Ronson, head of the Heron group, who was released from Ford in February after serving just under half his 12 months term, has been postponed until next month because his counsel is involved in another case abroad. Mr Ronson was also fined a record £5m.

After the hearing in London Mr Saunders, who has been diagnosed as suffering from pre-senile dementia, left court with his daughter Joanna and elder son James, declining to comment on the court's decision.

Ernest Saunders outside the Appeal Court yesterday

He was then driven back to Ford to serve the remainder of his sentence.

Lord Justice Neill said the court was satisfied "on the balance of probabilities" that Mr Saunders was suffering from pre-senile dementia but that did not make it a case for his immediate release.

However, the right sentences on him for conspiracy and theft would have been 2½ years concurrent instead of five, and for false accounting 18 months concurrent instead of 3¼ years.

Lord Justice Neill said the trial judge, Mr Justice Henry, had said he would have jailed Mr Parnes for three years for theft and false accounting but had reduced it by six months to take account of six months Mr Parnes had spent in a Californian jail awaiting extradition.

The right starting point, Lord Justice Neill said, would have been 2½ years and Mr Parnes was also entitled to an allowance of nine months rather than six for his time in jail in California.

Earlier the court had dismissed, with one exception, the three men's appeals against their convictions.

A conspiracy conviction against Mr Saunders was, however, overturned on a technical ground.

Lord Justice Neill said Mr Justice Henry's summing-up had been subjected to very detailed and skilled criticism and "some blemishes and infelicities have been exposed in what was in the main a masterly exposition".

However, when the summing-up was looked at as a whole, it was clear that the central issue of honesty or dishonesty had been fairly and squarely left to the jury to decide.

Trade department publishes Taurus rules

By David Waller

THE DEPARTMENT of Trade and Industry yesterday published its draft regulations for Taurus, the automated share-trading system which will handle the settlement of stock-market transactions.

Publication of the 152-page document, originally due last year, and postponed on several occasions since, should lead the way to the first "dematerialised" share trading next spring, though project might be derailed at the last minute in the aftermath of a general election.

The long delays in publishing the draft rules were caused by the complexity of the material – the document in effect rewrites over a century of an aspect of property law – and squabbles between City regulators over who should oversee the system.

The disputes have been resolved and it was confirmed yesterday that the Stock Exchange will take primary responsibility for regulating the system, rather than the Securities and Investment Board, the main investment industry watchdog.

The Stock Exchange will be responsible for vetting would-be participants in Taurus and monitoring their technical competence, financial soundness and general fitness and properness for the role.

Small investors are known to have a sentimental attachment to share certificates and the government has taken pains to protect those who fear that dematerialisation means their shares will vanish.

Mr John Redwood, Minister for Corporate Affairs, said yesterday the new system was not dangerous, even though it would be paperless. No company would be able to convert from the old system without obtaining approval from shareholders at a general meeting.

The total amount of guarantees pledged by institutions participating in the scheme is likely to be as much as £950m by the time the system is fully operational, according to Stock Exchange estimates. Mr Peter Rawlins, Stock Exchange chief executive, said individual brokers and banks will have to pledge between £500,000 and £5m, according to the size of their operations.

Copies of the document, entitled The Uncertificated Securities Regulations, can be obtained free of charge from Mr Bryan Gittens, Room 616, the Department of Trade and Industry, 10-18 Victoria St, London SW1H 0NN, tel: 071-215-3225

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BRITAIN IN BRIEF

Major seeks job cutbacks in Whitehall

Large cuts are threatened in central government staff following support by Mr John Major for greater efficiency in the running of Whitehall's executive agencies.

The prime minister's efficiency unit has called for greater autonomy for the agencies and reductions of at least 25 per cent in the number of staff overseeing them.

Sir Angus Fraser, Mr Major's efficiency adviser, recommends agency chief executives be given greater managerial discretion and says personnel and finance staff in the overseeing departments should be cut as a means to this end.

Mr Major endorsed Sir Angus's view that departments should restrict themselves to giving "strategic advice and direction [to their agencies] ... not day to day involvement. As a result the number of people at the centres of departments can be reduced."

Civil Service changes, Page 19

Coal import rise planned

National Power plans to more than triple coal imports from 3m to around 10m tonnes over the next few years, chief executive John Baker has said.

National Power would not sign a bulk, long-term contract with British Coal, Mr Baker said. "There is no way we are going to enter into a very high volume, high price, slablike contract."

He planned a series of contracts, saying it was up to British Coal to make National Power a realistic offer. "We are trying to reduce our fuel bill," he said. "That's what we are in business for."

Cammell Laird shipyard, pictured above during the industrial boom of the early 1920s, is at the centre of take-over negotiations between Amec, the engineering and property group and current owners VSEL, the nuclear submarine builder. If successful, the yard at Birkenhead, north west England, would become part of Press Offshore, an Amec operating division, which would then aim to create a UK west coast rig-building offshore supplies industry on Merseyside. The shipyard was put up for sale last November after a government reassessment of defence needs.

Exports push up car output

Car production in the first four months of 1991 was 6.6 per cent higher than a year ago thanks to a doubling of output for export markets.

Production rose to 457,503 from 429,232 in the first four months of last year. Output for export markets jumped to 225,520 from 112,073, accounting for close to half total UK car output in the period.

Output for the domestic market fell by 26.9 per cent to 231,983 in the face of the continuing deep recession. UK new car registrations in the first four months were 22.2 per cent lower than a year ago.

Car output in April alone rose 8.6 per cent to 111,340, with export output up to 55,638 from 23,875 a year ago.

Vauxhall, the UK subsidiary of General Motors of the US, began its first substantial export programme for 15 years in 1990 and this year is planning to export 70,000 cars compared with 24,000 last year.

Ford is mounting its biggest car export programme from Britain for 10 years with shipment over 10,000 Fiestas a month from its plant at Dagenham, east London.

Nissan plans to increase production at its plant in Sunderland, north-east England, by 58 per cent to 120,000 from 76,000 in 1990.

Aids tests show big increase

Anonymous testing of women attending antenatal clinics at London's St Thomas' hospital has shown a ninefold increase in HIV infection since 1988.

Tests in 1988 showed that only two out of 3,760 women (0.05 per cent) attending the clinic had HIV-1 antibodies.

A repeat of the tests last year on 4,106 women showed that 18 (0.44 per cent) had the Aids-causing antibodies.

Hospital staff say the implications are that there was one HIV-positive delivery every three weeks at St Thomas'.

Seamen accept work changes

Seafarers working for Sealink Stena have accepted a package of broad changes in working practices, including a move to a single national agreement, as part of a £178m investment programme.

Members of the RMT transport union have voted to accept the deal which will establish new week-on, week-off shift patterns for most of the company's 2,300 employees. Ships' officers are about to ballot on the proposals.

The company said many measures, including up to 500 redundancies, were needed to justify the new investment.

Poverty gap 'widens to gulf'

Nearly 22 per cent of the population earned less than half the national average income in 1988, according to a report by the Commons social security committee.

The report shows that the number of people receiving less than half the national average before housing costs rose by 1.3m to 9.1m.

The Child Poverty Action Group said the figures showed that the the gap between the richest and poorest households had "widened to a gulf."

'New era' for UK football

Sports minister Robert Atkins has predicted the start of "a new era" for English football fans abroad after Manchester United's 2-1 victory over Barcelona in the European Cup Winners' Cup in Rotterdam, Holland.

Dutch police last night reported just five arrests among the 20,000 United supporters who travelled to the city.

"Last night they were a credit to the country and to themselves. I hope that we have now proved conclusively that English football supporters can be relied on to behave themselves when abroad.

FINANCIAL TIMES SURVEY

BULGARIA

Rebirth of the peasantry; vineyards in a ferment of competition **Page 3**

Hatchet man of industry states his aims; bid for western finance **Page 4**

Friday May 17 1991

Bulgaria is making daring strides from communism towards a free economic and political system, writes **Judy Dempsey**. But unlike other east European countries it is receiving little aid from the west and the painful transition will sorely test its long suffering people

On the rocky road to a free market

A QUIET revolution is taking place in Bulgaria. Fearful that European governments and investors will forget this small Balkan country of 9m people, and desperate to dismantle the legacy bequeathed by the former communist regime of Mr Todor Zhivkov, the Bulgarian coalition government has finally embarked on the first phase of a radical economic reform programme.

A package of measures was introduced last February to bring down inflation. It includes a comprehensive macroeconomic stabilisation and price liberalisation programme. Altogether, it is a brave attempt by the government to transform the economy and society.

It is brave because, unlike Poland, Hungary, or Czechoslovakia, the Bulgarian government has received little financial assistance from western governments or bankers. In March, 1990, the country's former socialist government unwisely suspended all interest and principal payments on its $11bn debt.

Western bankers, in turn, immediately imposed a moratorium on fresh credits. Bulgaria's reserves quickly dried up. Imports and exports soon plummeted.

A team of Bulgarian economists is now busy trying to repair the damage to the country's credibility and hopes to reach a long-term rescheduling agreement with its western commercial creditors in the autumn.

Bulgaria was also affected more than other east European countries by the switch to hard currency trading with the Soviet Union and the collapse of Comecon, the socialist trading organisation.

Until recently, more than 80 per cent of Bulgaria's trade was with the Soviet Union and the countries of eastern Europe, particularly eastern Germany. A shortfall in Soviet energy supplies, cancelled contracts and general upheaval in the trading patterns among the countries of eastern Europe added to Bulgaria's economic ills. As a result, last year's industrial output fell by 25 per cent and exports by 27 per cent.

The Gulf War provided the final shock to the country's ailing economy. Before the invasion of Kuwait last August, Bulgaria was owed more than $2bn by Iraq for construction, engineering work and exports. The embargo imposed by the United Nations meant that Bulgaria would not receive oil supplies which Iraq had agreed to deliver to her in lieu of payments.

These three external shocks had the effect, however, of galvanising the coalition government into taking action. Today, its ministers are wont to say: "We had no option but to introduce radical change."

Following the collapse of the socialist government in December, a new government, composed of the opposition Union of Democratic Forces (UDF) and the Bulgarian Socialist (former communist) Party (BSP), finally did away with the rhetoric of reform.

It was a bitter retreat for the BSP, which had expected to hold on to the reins of power following its comfortable victory in last June's free elections.

And it was a challenge for the UDF, a loose coalition of 19 political movements, which saw the coalition government as an opportunity to break down the old communist nomenklatura through the introduction of radical reforms.

The government's decision to liberalise and increase prices by 250 per cent, raise interest rates and cut consumer spending received backing from the powerful trade unions as well as the International Monetary Fund. A "social agreement" with the unions ensured consensus for pushing through the first phase of reforms. The population's experience of centuries of repression helped to ensure its implementation. The pace of reform will not be easy to maintain.

The BSP, which still retains considerable influence in the enterprises, the towns and countryside, would prefer a more gradualist approach to the reforms in which the social costs of such profound changes would be taken into account.

The BSP, which still holds the parliamentary majority, is motivated by political, ideological and historical factors. It faces the electorate in the autumn.

As a means of defeating the UDF, sections of the BSP will undoubtedly want to tap the egalitarian traditions and suspicion of wealth which form part of the country's political culture.

After all, privatisation and the market economy will sharpen the income differentials. These developments could facilitate the rise of populism, peppered with anti-capital rhetoric. It could also keep foreign investors away.

As the elections approach, the UDF could be tempted into criticising the BSP and the communist legacy at the expense of maintaining the momentum of reform. This could be the undoing of the UDF. Unlike other countries of central Europe, social and economic expectations in Bulgaria are low. The UDF might be tempted to take advantage of this. Instead of bickering publicly with the BSP, and seeking revenge against the communist nomenklatura and bureaucracy, the UDF might try instead to convince Bulgarians that they have a stake in the reforms.

Many Bulgarians, particularly those in the heavy and inefficient industrial sector, will not be convinced. Recent forecasts by the government estimate that unemployment could rise to between 300,000 and 400,000 over the next few years. But were the UDF to define property and ownership rights, and introduce privatisation so as to attract foreign investment, some of the unemployed could be deployed, particularly in the services sector.

But the greatest task facing the government is credibility. There are no towering political or moral personalities in Bulgaria to ease the government's task of selling its programme to the population. Mr Zhivkov's communist regime was adept at exploiting the deeply-ingrained conformist traditions of the country and snuffing out the mildest expressions of dissent.

The old regime was also skilled at ensuring conformity by promoting the peasantry at the expense of the intellectuals who were socially marginalised or cowed into submission by the communists.

This is a very dangerous legacy for the new government. A bureaucracy bred on mediocrity and conformity, as well as suspicious towards talent and intellectuals, could be the unmaking of the reforms. That is why the government must move quickly with radical reforms.

That would encourage the emergence of new political and economic elites, besides winning credibility from the international community.

But the social, economic and political transformation will be a long process. Its success depends on the continued forebearance of the Bulgarian people, the courage of the government, and the financial assistance of the west.

Ordinary Bulgarians' dreams of the good life — reflected in these scenes on the streets of the capital Sofia — are tempered by their fatalistic nature and ingrained forebearance

KEY FACTS

Area	110,912 sq km	
Population	9.0 million (1990 estimate)	
Head of State	President Zhelyu Zhelev	
Currency	Lev (Lv)	
Official Exch Rate (avg)	1989 $1=Lv0.828	1990 $1=Lv2.313

ECONOMY

	1989	1990
Total GDP ($bn)	20.3	22.4
Gross external debt ($m, Dec)	10,889	10,964
Debt service ratio (%)	57.2	24.3
Trade Balance ($m)	-1,401	-1,100
Main Trading Partners (1989, % by value)	Exports	Imports
USSR	65.8	53.6
Developed capitalist countries	7.3	17.0

THE POLITICAL PARTIES

Democratic change hampered by weak leadership

THERE is a well-stocked self-service restaurant beneath Bulgaria's impressive Sobranie, or Parliament.

During parliamentary sessions, politicians from across the political spectrum exchange views while drinking tea or nibbling the country's excellent cheese.

But when they emerge from the gloomy warmth of the cellars into the brilliant lights of the parliamentary chamber, the mood changes to bitter recrimination. Outside, it is matched by a recent opinion poll suggesting that more than 30 per cent of the electorate could boycott the next general election because of disillusionment with politicians and parliament.

This does not augur well for the attempts of such a new democracy to strengthen its political institutions.

For Bulgaria is not blessed with leaders of the stature of Czechoslovakia's Vaclav Havel or of Poland'sfinance minister Leszek Balcerowicz.

Like its counterparts in other ex-communist states, Bulgaria's fledgling democracy already has its racist and chauvinist fringe element

Under Mr Todor Zhivkov, the country's former communist party leader ousted by a bloodless palace coup in November 1989, there were few outspoken dissidents.

Traditions of conformity and submission, acquired during centuries of Ottoman rule, ensured that the birth pangs of Bulgaria's new democracy would be difficult.

"We have no personalities," says Mr Dimitur Popov, the politically-independent prime minister. "We need politicians who are colourful and who have dignity."

Meanwhile, the political parties are preparing for the next election, tentatively scheduled for later this year.

The Union of Democratic Forces (UDF), a loose, ungainly coalition of 19 political parties, hopes to gain a parliamentary majority.

In last June's elections, it won 144 of the 400 seats in parliament. But the party's success will depend on preventingdivisions on economic and political issues from tearing the movement apart before the elections.

The UDF is split into two factions. One is the "centre block". It is dominated by Mr Petur Dertliev, head of the revived Social DemocraticParty, which existed during the inter-war period. The block also embraces the Nikola Petkov Bulgarian Agrarian Union and Eco-Glasnost, the environmental party.

The block's 60 deputies insist that elections should not be held until a new constitution has been drawn up. They are critical of the tough anti-inflationary policies advocated by the International Monetary Fund.

"We need a step-by-step, gradual reform," says Mr Dertliev. "We are not against private property. Of course we are sceptical about the wealth of the nomenklatura (the communist elite). People must be given a stake in the reforms. The recent austerity measures have wiped out people's savings. There is no equality in these reform measures."

The centre block claims that it can attract 62 per cent of all UDF supporters. Although that may not be over-ambitious, the block could well be swollen by disaffected liberal factions of the former communist Bulgarian Socialist Party (BSP).

The UDF's other faction is dominated by the right wing, which includes the increasingly influential Monarchist Party. Led by Mr Stoyan Ganev, a highly ambitious, former communist party member, and Mr Filip Dimitrov, the UDF's chairman, this faction believes the BSP is placing a brake on the reforms and wants the elections to take place in June, regardless of whether a constitution has been drawn up.

The date of the poll could also affect the status of the Movement for Rights and Freedoms (MRF), the ethnic Turkish party led by the shrewd Mr Ahmed Dogan. The MRF holds 23 seats in parliament but is not yet registered as a party.

It fears that the Electoral Bill could exclude it from standing unless it transforms itself into a full-fledged party. That is why it wants elections after the new constitution has been passed.

For ethnic reasons, relations between the UDF and the MRF are strained, particularly following a decision by the UDF to co-opt the MRF. "We could lose a lot of votes because of this close relationship with the Turks. Anti-Turkish feeling can be manipulated easily," says Mr Ruman Vodenicharov, a member of Eco-Glasnost and the centre block.

Already, Bulgaria's young democracy, as in other countries of eastern Europe, has given rise to a far right-wing movement, which has some support from communist hardliners. It is intent on blocking ethnic and cultural rights for the Turks and it also incites anti-semitism.

The infighting among the UDF, coupled with its ability to turn parliament into an unruly class-room, could play into the hands of the socialists. The BSP, which has 211 parliamentary seats, has been able to intimidate the UDF in many ways and has skillfully exploited the inexperience of its young deputies.

Until recently, the Socialist Party had access to the files of the secret police and could exploit them to blacken the names of its political opponents

Until recently, the BSP had access to all the secret police and security services files, giving it the ability to undermine the UDF's authority by smear campaigns. Mr Peter Beron, the former leader of the UDF, was politically destroyed last December following allegations that he was an informer.

That incident underlined the importance for the UDF of introducing political reforms as well as the need to dismantle the communist nomenklatura and bureaucracy.

In some respects, the BSP won only a pyrrhic victory. Despite its parliamentary majority, it failed to achieve the consensus needed to introduce any of its cautious reforms. Nor did it have a mandate to maintain the status quo.

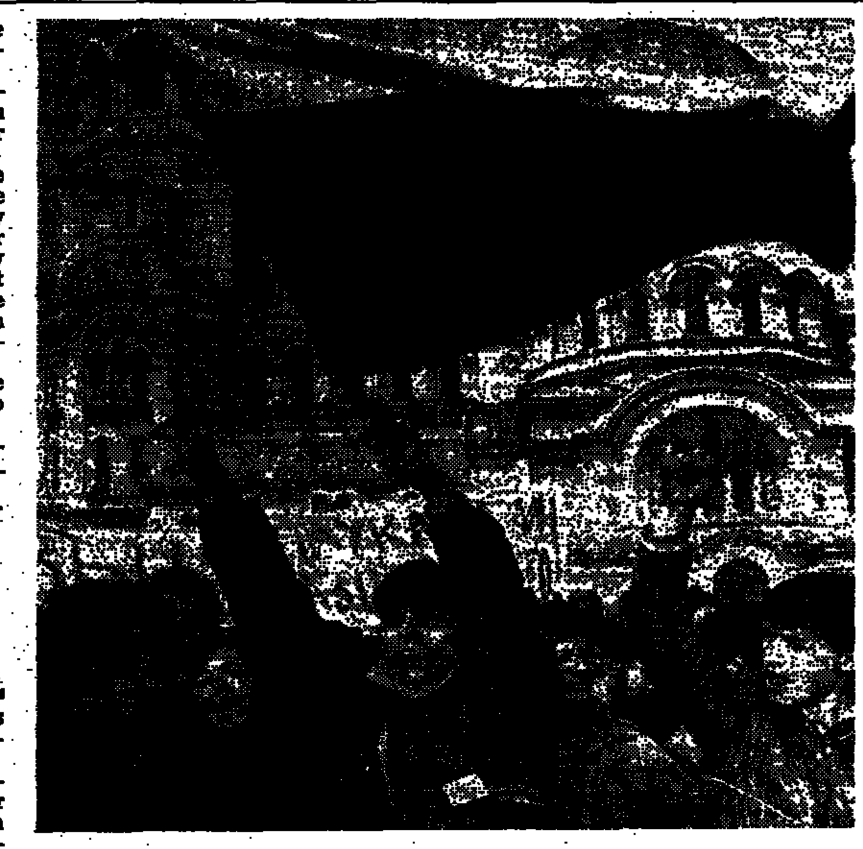
And because it is in a coalition with the UDF,the BSP does not relish the prospect of facing an election against a background of high prices, falling living standards and rising unemployment.

It wants to show that it supports the reforms and thus reap some electoral reward. But it does not want to pay the price for introducing unpopular tough measures needed to implement those reforms.

But the BSP cannot have it both ways. It is tainted by its communist past. The party's leadership, under Mr Andre Lukanov, who was forced to resign as prime minister last December by a wave of demonstrations, is unlikely to retain power. But it will not disappear.

As for the UDF, it needs to put its house in order and end its internal bickering in parliament. In the countryside and towns, once the great stronghold of the communists, 30 per cent of the electorate remains undecided about how to vote.

Like the BSP, it cannot afford to be complacent.



Power to the people: students demonstrating at the parliament last December

The fight against inflation has begun well, writes **Judy Dempsey**

Dive into unknown waters

IN ONE broad sweep, the Bulgarian government is trying to do what the Poles did in 1990: introduce an IMF-backed anti-inflation policy.

The first steps have been *impressive and courageous.*

Last February, supported by a first tranche of $85m from the IMF, the government lifted subsidies on all goods, except heating, petrol, and children's *clothes. Prices increased five*fold. The shops, once bereft of basic foods, are now full.

The government partly cushioned the price rises by introducing a system of compensation. Wages and salaries were increased by 70 per cent.

Some prices have since fallen because consumers simply could not afford to buy many items. The price of meat, for example, has decreased by around 15 per cent, an indication that the laws of supply and demand are beginning to operate. People barely manage to buy what they need. But hoarding has ended.

To consolidate the squeeze on consumer spending, interest rates were raised from 5 per cent to 45 per cent per annum. But on a compound basis, effective rates reach 70 per cent. Enterprises are complaining loudly.

The move towards partial convertibility has been set in motion. A single official rate of exchange was set for the Leva, the unit of currency. It was devalued in February from 10 to 30 leva to the dollar. It has since settled to around 15.50 leva to the dollar.

*This devaluation was cou*pled with the closure of the CORECOM hard currency stores, the rise in interest rates on savings deposits, and payments in the local currency *only. The black market touts* have all but disappeared. But Bulgarian economists believe the leva is still overvalued.

Inflation, however, remains difficult to calculate. Some Bulgarian economists say the rate is running at about 200 per cent a year. IMF figures indicate that it rose 10.4 per cent in January, 122 per cent in February, as a result of the price rises, and dropped to 50 per cent in March. Reducing the inflation rate to 1.2 per cent a month during the second half of the year appears over-ambitious.

This is because the "social agreement" between the government, employers and trade unions ends in June and is to be followed by plans to introduce collective bargaining which may push up inflation.

Still, the government remains determined to tackle inflation and the budget deficit. In 1990, the deficit accounted for 13 per cent of GDP. Mr Ivan Kostov, the minister of finance, says it must be reduced to 3.5 per cent of GDP in 1991 in line with the IMF's programme of limiting the government's borrowing from the banking system, limiting credit expansion, and controlling the money supply.

So far so good. But unlike Poland, the Bulgarians have few, if any safety valves. So *far, they have no regular credit* lines from western financial institutions; they have irregular energy supplies from the Soviet Union; and the economic nomenklatura, the communist *enterprise managers,* are adept at blocking reforms.

Together, these factors are likely to depress the economy further before the benefits of a tight monetary policy and the instruments for a market economy take hold.

Bulgaria's problems with its western commercial debtors are in urgent need of attention, otherwise the slide in industrial production will not be halted. This September, a team of Bulgarians will seek terms for rescheduling its $8.5bn owed to 308 commercial creditors. Without them, Bulgaria is unlikely to receive fresh credits. All credit lines were cut after the socialist government, then led by Mr Andrei Lukanov, refused in March 1990 to pay interest and principal on all its debt repayments.

In addition to the damage it did to Bulgaria's reputation, that decision led to a run down of Bulgaria's hard currency reserves. "We have less than $100m in reserves," says Mr Todor Vulchev, head of the Bulgarian National Bank.

The absence of reserves and credit lines is one of the reasons for the sharp fall in industrial production. Industrial production *fell by 18* per cent in 1990 and has fallen a further 17 per cent during the first quarter of 1991. GDP is between 10 and 12 per cent lower than in 1989, and is expected to fall a further 17 per cent *this year.*

However, Mr Ivan Pushkarov, the minister for industry, trade and services, says industrial production is declining less steeply than during the *first quarter of 1990. Further*more, the IMF'S $85m facility extended to Bulgaria in February will help towards financing imports and strengthening reserves. Four additional *tranches of $50m will partly* help sustain the stabilisation programme.

However, the government could give a helping hand. The 20 per cent export tax imposed on a wide range of products last February should be dropped.

The other problem facing Bulgaria is the Soviet Union. Bulgarian industry, which accounts for more than 30 per cent of GNP, is heavily dependent on Soviet energy supplies. As much as 60 per cent of Bulgarian trade was with the Soviet Union.

Until 1989, Bulgaria had been importing 11m tonnes of oil from the Soviet Union. In 1990, the figure was cut back by 20 per cent. Despite an agreement reached earlier this year for a supply *of* 5m tonnes – or 400,000 tonnes a month – the Soviet Union delivered only 200,000 tonnes for January and February.

At one point during the winter, 80 *per* cent of industry was at a standstill owing to lack of spare parts, raw materials and fuel. Since trade with the Soviet Union is now in hard currency, Bulgaria could seek reliable oil supplies from other countries – if its goods met world market standards, and if it had sufficient foreign exchange. In the meantime, it must make do with paying for its Soviet oil supplies through a barter arrangement whereby goods are valued at world market prices.

Nearer home, the tight budget constraints imposed by the IMF have so far affected the consumer, and not the enterprise.

Mrs Mariana Todorova, the deputy minister for foreign economic relations, argues that "the budget constraints on enterprises are too soft. Over the past few months, the enterprise managers built up expectations for inflation. They stock-piled over the winter and held back goods to the shops. When the prices went up in February, they simply released the goods on to the market."

The economic picture is further complicated by informal contracts which are reminiscent of the situation in Poland throughout the 1970s and 1980s. In a typical reflex response to a "shortage economy", Polish enterprises established informal contracts between each other.

Bulgarian enterprises applied similar methods. They continue to rely on inter-enterprise loans, particularly since the budget no longer makes *provisions for subsidising* industry, and borrowing from the banks at current interest rates is too costly.

These are awesome problems for the government. The first phase of reforms has revealed the fragile state of the economy, the population's patience and its uncertainty about the future. The second phase, which will include privatisation, tight budget constraints, an incomes policy, and probably a further devaluation, will test the nation's forbearance. Bulgaria is entering unknown waters.

Villagers in western Bulgaria: over-reliance on the Russians

FOREIGN TRADE

Lost in the storm without an umbrella

THE switch to hard currency payments among the countries of eastern Europe and the Soviet Union, the virtual collapse of the Soviet market, and a sharp reduction in Soviet energy exports have seriously disrupted Bulgaria's trade.

At the same time, many Bulgarian enterprises which are still managed by communist bureaucrats are contributing to this decline in trade by refusing to use their foreign exchange reserves to buy spare parts which in turn would boost exports, earn foreign exchange, and supply the market.

Instead, over the winter many enterprises stock-piled and starved the market of goods, benefiting from the sharp price rises introduced last February.

These two pressures – the difficulties of trading with the Soviet Union and internal resistance to reforms – have forced the government to place the development of foreign trade high on the country's economic agenda.

Hungary, unlike Bulgaria, was able to cope with the switch to hard currency payments between its east European neighbours and the Soviet Union because it had goods of its own to sell on western markets.

Bulgaria is in no position to cushion the loss of exports to its giant eastern neighbour by finding new western markets. It lacks foreign exchange and its trade had become completely dependent on the Soviet market over the past three decades. The Soviet Union and eastern Europe accounted for more than 80 per cent of Bulgaria's total trade.

Mr Atanas Paparizov, the minister for foreign economic relations who is saddled with the task of reviving trade with *the region, says that total* trade volume last year with the COMECON countries was between 10 and 12 per cent down on 1989. Trade with the Soviet Union alone fell by 30 per cent.

"It will decline further by between 7 and 8 per cent in 1991," he said. "If we compare the first quarter of this year with the first quarter of 1990, we see that the share of trade with the Soviet Union has fallen from 60 per cent to about 50 per cent, and trade with eastern Europe from about 23 per cent to 11 per cent."

Soviet exports to Bulgaria during the first quarter of 1991 totalled $500m of which $303m was in the form of oil supplies and the remainder in raw materials.

Bulgaria's exports over the same period totalled $130m: $58m was paid against oil, and $72m against other products. "There is now a substantial deficit in dollar trade with the Soviet Union," says Mr Paparizov.

Against the background of a significant fall in trade, the estimates for total trade figures for 1991 appear unrealistically high.

Mr Paparizov says exports will total $6.5bn and imports over $8bn (of which $1.6bn will be accounted by oil products).

Blackouts and factory standstills have been caused by the drastic fall in energy deliveries from the Soviet Union

Recent trends suggest that trade will not match these expectations.

But for the first quarter of 1991, Bulgaria had signed contracts with the Soviet Union amounting to $1.6bn: a third comprising of exports to the Soviet Union; and the remaining two-thirds consisting of imports.

Total trade (including the Soviet and east European markets, and the rest of the world) for the first quarter of 1991 totalled $1.9bn – $900m earned from exports and $1.1bn spent on imports. "In 1991, I expect we will have a trade deficit of about $1.4bn," says Mr Paparizov.

Last year, hard currency exports (excluding the former COMECON countries) totalled $2.5bn and imports $3.2bn.

Mr Paparizov, and his colleagues at the ministry for foreign economic relations believe there are two key problems which, unless addressed urgently, will prevent any stimulation of trade. They are the unreliability of the Soviet market and of Soviet oil supplies. And there is the lack of western credits to modernise the infrastructure and boost foreign exchange earnings.

Until 1989, Bulgaria imported 11m tonnes of oil from the Soviet Union. In 1990, deliveries fell by 20 per cent, to 7.8m tonnes. Earlier this year, Bulgaria reached an agreement with the Soviet Union to import a total of 5m tonnes of oil, or 400,000 tonnes a month. But deliveries for January and February were erratic. Bulgaria received less than 200,000 tonnes a month. However, the March quota was met.

The shortfall has meant that Bulgarian industry – and the Bulgarian consumer – has been denied crucial energy supplies to see them through the winter.

Lighting and heating in homes was switched off often at two hours intervals, while 80 per cent of industry was often left at a standstill.

Inevitably, the energy crisis contributed to the fall in industrial production largely because Bulgarian industry is energy intensive and the moratorium on fresh credits imposed by western commercial creditors in March 1990.

Last year, production fell by 10 per cent. Mr Ivan Kostov, the minister of finance, said industrial production declined by 16-17 per cent in the first quarter of this year, compared to the first quarter of 1990. The circumstances are inauspicious for a revival of trade.

Mr Paparizov believes trade can be revived through a payments union, similar to the European Payments Union set up in 1950 to break down the bilateral and quantitative controls which marked trade in western Europe in the 1930s.

Largely financed by the US, this allowed currencies in western Europe to be freely transferable between each other, and provided credit to help settle each country's monthly net position among other members.

But Mrs Mariana Todorova, deputy minister for foreign economic relations, and Mr Ivan Pushkarov, minister for industry and trade, oppose such an idea. "A Payments Union is redundant. We do not need to keep these relations as they are. It means maintaining the old structures. Instead, we must restructure our trade. We have to diversify," she said.

Mr Pushkarov believes privatisation and a new foreign investment law will help shift Bulgaria's dependence away from the Soviet Union, enabling Bulgaria to earn hard currency to pay for Soviet oil imports. Moreover, he and Mrs Todorova believe substantial financing arrangements from the International Monetary Fund, G24 and other western financial institutions will serve to revitalise trade.

Assistance has already come from the IMF. It agreed to grant Bulgaria credits worth nearly $500m, which will be spread over several tranches until early 1992. Included in that amount is a Compensatory Contingency Financing Facility, or CCF, issued in February and worth $85m. This was earmarked for imports and strengthening reserves. In March, a standby arrangement, totalling $110m was issued, thereafter four equal instalments, each worth $50m, were approved. But Bulgaria is by no means out of the wood.

Judy Dempsey

Ariane Genillard on the peasants' revival

Forward to 1946

LENIN'S portrait hangs above the entrance door of Yagodovo cooperative farm. Inside the president's office, the late Georgi Dimitrov, one of the founders of the Bulgarian communist party in the 1940s, smiles back.

This is the Bulgarian countryside, the bastion of the former communist Bulgarian Socialist Party which won the countryside's vote in the parliamentary elections of June, 1990. It is also the place where key changes can bring short term help to the flagging national economy. Potentially rich, the Bulgarian agricultural sector could feed the nation, absorb some of the growing unemployment and improve the foreign exchange crisis.

To achieve this goal, today's policymakers have laid the foundations of a private agricultural sector. These include a land law which returns the land to one-time owners and a partial liberalisation of the market square. But despite these reforms, Bulgaria still lacks a coherent agricultural policy offering the necessary incentive and know-how to future private farmers.

The land law, passed in parliament last February, aims at returning the whole of the Bulgarian agriculture into the private hands which owned it before the communist regime.

It is modelled after the pre-1946 agricultural sector, when 65 per cent of the labour force was made of proud peasants working on relatively small farms.

This profitable private agriculture largely disappeared under the communist regime. Today, only 12 per cent of arable land remains in the hands of private farmers.

But these farmers have done relatively well, accounting, in 1989, for 30 per cent of total agricultural production. Their strength lies in livestock, contributing 45 per cent of the total meat production in 1990.

While land was never officially nationalised in Bulgaria, the bulk of farmers lost their ownership rights after the 1946 Agrarian Reform Act. Forced to pool their land, they became state employees working on collective farms as large as 100,000 hectares. In the 1980s, co operative farms accounted for more than 80 per cent of the total agriculture production.

Simultaneously, resources were drained towards industrial development. Between 1980 and 1988, agricultural investment declined by 20 per cent. This implies that considerable efforts and funds are needed today to improve agricultural productivity. Public officials point to the good results of the remaining private sector. They argue that privatisation will spread these good results to the entire farmland of Bulgaria.

Respecting the pre-war property scale, the land law places a restriction on how much land can be claimed back. Owners or their heirs can claim a maximum of 20 hectares in the plains and 30 hectares in mountainous areas.

A free land market will only emerge in three years, however. The three year moratorium on all sale and purchase of land was set to prevent speculators hedging against the high inflation expected during the transition period.

The law also stipulates that the land cannot be left idle by owners who long left for the cities. If not worked, the land must be leased to tenants working it.

Owners will be free to re-associate themselves and continue thereby the existing co-operative system. To prevent fragmentation, plots of land equivalent in size and quality can be granted outside the new co-operatives.

Municipal land commissions must be set up and land surveys done.

Old style communists still influence official thinking on agriculture

Officials hope that most land plots will be in the hands of private farmers by the end of the year. As owners, these private farmers will now have the necessary collateral to guarantee credits.

The principal organism to ensure credits is the Bank for Agricultural Credit. Founded in March, 1990, this bank has an initial capital of 150m leva ($10m). Shareholders include Bulgarian institutions such as the National Insurance Institute, the National Savings Institute and Central Co-operative Union.

Foreign investors also have capital participation, with Raiffeisen Bank of Austria and Maxwell owning each 10 per cent of equity.

The Bank for Agricultural Credits has been the principal organism for co-ordinating the economic assistance under the PHARE programme, the European Community economic aid package for the region. The programme, which amounted to 16m ecus for the first quarter of 1991, is not free for Bulgarian farmers. They must borrow from the Bank of Agricultural Credits in order to buy the western agricultural supplies provided under the PHARE programme. The Bank's profits will then be recycled toward the emerging private sector.

The Bank's lending policy follows the tight monitoring constraints advised by the International Monetary Fund. Interest rates are consequently high, averaging four per cent per month. Most farmers consider this prohibitive and complain that it prevents them from securing much needed supplies, such as seeds and animal feed, in the current sowing season.

The interest rate problem is compounded by the inefficient pricing policy set by the government. Despite the overall price liberalisation of last February, major agricultural products, such as grain, dairy products and meat, remain limited by relatively low price ceilings.

While no official explanation is given for these ceilings, political reasons loom in the background. The agricultural ministry, headed by a member of the traditionally pro-communist agrarian unions, remains under the influence of old thinkers. High food prices have never been known to win votes.

Beyond the distortion between input and output prices, market surpluses have also lowered prices. This is largely due to the breakdown of trade with the Soviet Union and the former CMEA trade partners. They account roughly for 80 per cent of Bulgaria's markets.

Farmers complain about this price system in particular, and about the government policies in general. They say that maintaining low food prices contradicts the policy of high interest rates. They also complain that while the new foreign exchange rate has boosted the price of imports, no trade liberalisation measures have followed.

Indeed, bans on agricultural exports persist. Similarly, 1991 export taxes reached 30 per cent on meat products, cereals and cheese.

Government officials say these measures are temporary. Moreover, the interest rate problem should theoretically be solved once the price liberalisation programme settles into a market mechanism.

But some of the problems will take longer to heal. Bulgaria needs sectoral investment to upgrade product quality. Agricultural productivity must increase in order to offset trade tariffs. And infrastructural investments are needed to improve transport.

The land law is only the first step towards a private agriculture. A comprehensive agricultural policy is now needed to turn agriculture into a profitable, export driven sector.

Vineyards are at the crossroads as monopoly protection is abolished, writes Judy Dempsey

The sweet and dry tastes of competition

BULGARIAN wine, which has impressed the British consumer with its consistent quality and good value, is at a cross roads following an unexpected decision by the former socialist government to de-monopolise the industry last November.

The move to break up the state monopoly – although for the time being, the state will continue to own the vineyards – means that Bulgaria's wine producers will now be competing among themselves in Europe and other areas.

The question is whether quality will be maintained, and less profitable wine producers in Bulgaria will survive.

Mr Hristo Dermendjiev, head of the export department for Bulgarian wines and a veteran connoisseur of the wine industry, has few doubts about the future.

"Although the decision to de-monopolise was political, I think in the long term it may be a positive development in the sense that brighter people will become involved in the wine business," he says.

Mr Dermendjiev, 59, who has worked in this sector for more than 35 years, says that under the new system, the vineyards are now becoming self-financing and technologically independent.

"Under the old system, which consisted of four wine companies, all important decisions were made by the centre here in Sofia. This was not a breeding ground for new ideas," he says.

Under the new system, the four wine companies have been broken up into 33 companies. "But they are not equal. Some might go bankrupt; others will thrive under new management. However, the quality will be maintained because we are in the process of setting up a Union of Wine Producers of Bulgaria."

This Union, which is expected to be registered this month, will act as a kind of "quality watchdog" for the industry and will also focus on research and development for this crucial export-earning sector of the economy.

Last year, hard currency earnings, or about 50 per cent of total turnover, amounted to about £50m, with the UK accounting for £30m. About 30 per cent of production is earmarked for the Soviet market, and the rest is consumed locally.

Gorbachev's 1985 move against alcohol hit Bulgarian sales

This export profile represents a considerable shift away from the mid 1980s, when about 70 per cent of all wine exports was being sold to the Soviet Union for non-convertible currency.

But that amount was sharply cut back following Mr Mikhail Gorbachev's anti-alcohol campaign in 1985, combined with a crisis in Bulgarian agriculture which led to a decrease in planting. Together, these factors partly explain the fall in wine output from 4.5m hectolitres in 1985 to 1.8m hectolitres in 1990.

Given these circumstances, Mr Dermendjiev believes that the de-monopolisation of the industry was done in haste. "It should have been prepared in advance. We were just at the end of the season. This decision destroyed the 'technological connection' between the different enterprises. For instance, to produce 25m bottles of sparkling wines, we need 18m litres of wine."

Mr Dermendjiev explained that because wine is produced in different parts of the country, and sparkling wines are produced in three different enterprises, there was a great degree of co-operation between all the enterprises and vineyards.

"If one vineyard had a shortfall in one product, we used to exchange, for instance, bottles of sparkling for other wine producing equipment. That was before de-monopolisation. We will not be able to do that now."

This breakdown in informal contracts between enterprises and vineyards is not the only matter worrying Mr Dermendjiev and his colleagues. They are concerned about what will happen if private ownership of land is introduced.

"Of course, it is a good thing in the long term to have private land, but the privatisation will cause problems in the short term," he explained.

"The problem is the future status of the large vineyards. Total hectare coverage for wine production is 80,000 hectares – not including villages and local vineyards which grow between 15 and 20,000 hectares."

The production of grapes has been falling year by year

Mr Dermendjiev believes that the industry could be adversely affected if the cooperatives decided to break up the vineyards or if individuals exercise their right to reclaim a maximum of 30 hectares of land which was confiscated after 1946.

"The vineyards might be broken up. Furthermore, the new private farmers will not have capital. They will be interested in crops which produce a quick profit. The first wine crop takes five years to cultivate," he added.

The future is thus uncertain but not bleak for the wine industry: whoever invests in the wine industry will inherit a sound material base, with good technology and equipment and with the potential to earn valuable foreign currency.

But this means that the wine industry itself will have to adapt to the new climate of competition.

Wine growing, for example, could be intensified. The average annual production of wine grapes is about 370,000 tonnes but the existing processing capacity could handle 650,000 tonnes.

However, grape production has been falling year by year. The current yield per decare (a tenth of a hectare) is between 300 and 350 kgs while agronomists and viticultural experts believe the potential could reach 800 kgs.

The industry will also require incentives, such as a higher marketing profile, to hold its own in international markets. This could be achieved through direct contracts on raw materials, (for instance, grapes), with producers.

Some vineyards may be encouraged to increase production of higher quality wines and producers could establish their own identity for export markets.

Mr Dermendjiev and his colleagues have no qualms about these challenges. What bothers them is the political and economic uncertainty about the reforms, about stability, and about being bought out cheaply by those looking for a quick profit.

Judy Dempsey interviews the "minister for privatisation"

Industry man in a hurry

IVAN PUSHKAROV is a man in a hurry. As minister for industry, trade and services, he is responsible for bringing the country's industrial sector out of the red into the black.

For him, red means more than just bad debts. It also means communist. One of his goals is to break the continuing stranglehold of the communist economic nomenklatura, or managers, over the enterprises.

The means for achieving this and attracting much-needed foreign capital is privatisation.

Mr Pushkarov, like his other non-socialist colleagues in the coalition government, believes that privatisation must be introduced as quickly as possible. "Our main task is to go for a big privatisation, and soon."

The drawing board, influenced by the experiences in the other countries of eastern Europe, is packed with plans, most of them already rejected.

Mr Pushkarov is not keen on the cautious privatisation programme introduced last year by the Hungarians (but subsequently accelerated).

Pushkarov loathes the idea of the voucher system – introduced by the Polish government and considered by the Czechoslovak government – which allows workers to cash in their free vouchers for shares in any enterprise.

"These vouchers are socialist stupidities. We need a real capital base. We need a market for generating that capital. We can realise this through Funds."

He has little time for quibbling over the value of assets of enterprises. This problem has beset every east European government because, if the assets are underpriced, the government could be accused of selling off enterprises too cheaply.

"I do not worry about cheap sales. Our aim is not primarily to have the highest possible price for the enterprises. What is at issue is the salvation of the country," he exclaims. Bulgaria, he fears, is losing valuable time over introducing reforms.

Mr Pushkarov blames the socialist parliamentary majority for "slowing up the legislation on privatisation. Some populist feelings have emerged because some forces want to extract political dividends from it," he says.

This is a veiled reference to last year's election campaign. The Bulgarian Socialist (former communist) Party in the villages warned the peasantry that if the opposition Union of Democratic Forces (UDF) won, the BSP would privatise the land and sell it to foreigners. The communists won a landslide victory in the countryside.

Despite deep-seated suspicions towards foreign capital, equally deeply-held egalitarian attitudes towards wealth, and populist feelings which can be easily exploited, Mr Pushkarov's believes his goal to privatise between 20 and 30 per cent of state industry over three years can be attained.

That is an ambitious programme. More than 90 per cent of industry is in the hands of the state.

He talks of selling the country's petrol stations to a US company. He insists that the state will not bail out unprofitable or lossing making enterprises.

The big question is whether there is a political consensus to push through a programme which could push up unemployment from the current 160,000 to between 400,000 and 500,000, or 10 per cent of the labour force. As it is, the UDF does not control the parliament which is dominated by the BSP.

"We are already committing political suicide with our anti-inflation programme," explains Mr Pushkarov. He

believes that the communist nomenklatura are "really dangerous when they exercise the economic power throughout the country. We have to destroy that economic power through decentralisation and de-monopolisation," he says.

Earlier this year, the government started a complicated process of de-monopolisation, without putting in place a law on privatisation, or without defining property and ownership rights. It meant that large, state-owned conglomerates, for example the wine and construction industries, were broken up but continued to remain under state control.

Western economists believe the move was somewhat hasty, and the plans could have been drawn up more coherently. But to underestimate the deep hostility of the non-communist ministers towards the old communist regime would be to misread the government's determination to privatise.

For these young ministers, de-monopolisation and privatisation are a means to break the communist monopoly on power even more than to attract capital.

Bulgaria needs this capital without delay. A law known as Decree 56 passed last year allows foreign investment, but there are too many grey areas on the repatriation of profits, ownership rights, and banking.

Mr Ivan Kostov, the minister of finance, says it is being amended so that property and ownership rights as well as the tax system will be more sharply defined for the foreign investor.

But the task of privatising the Bulgarian economy will still be awesome, requiring a new banking and accounting system and provisions for higher unemployment.

The government will also have to explain to farmers why their subsidies have been cut while farmers in the European Community are subsidised – and keep out produce from eastern Europe.

Despite these challenges, however, the government's energy and enthusiasm are remarkable. "There is no turning back," says Mr Kostov.

Experts prepare groundwork for autumn debt talks

Striving for credibility

OVER THE NEXT four months, a group of Bulgarian economists and experts will meet to analyse the country's finances.

They aim to draft proposals to be presented to the London Club of banks and financial institutions in the autumn as the basis for a rescheduling – if not a complete restructuring – of Bulgaria's hard currency debt owed to its 308 commercial creditors.

The task for these experts, led by Mrs Mariana Todorova, the deputy minister for foreign and economic relations who also leads the debt negotiationing team, is far from easy. Bulgaria lost a great deal of goodwill, credibility and crucial credit lines, when the former communist government decided to postpone all payments on principal and interest in March 1990.

That decision immediately prompted western commercial banks to impose a moratorium on all credit lines to Bulgaria. Not surprisingly, the country's reserves of $1bn were quickly exhausted, and industrial production, starved of investments and spare parts, plummeted. The new coalition government sworn in last January has had to undertake much repair work. In April, the Paris Club agreed to a restructuring of the debt, spread over 10 years, with a six-year grace period. Mrs Todorova believes it is the first positive step towards tackling the London Club, and towards restoring credibility with western institutions.

One of the stumbling blocks towards negotiating with the London Club was the western commercial banks' insistence that the Bulgarian government should guarantee debts. The government refused.

A consortium of western bankers, led by Deutsche Bank, opened talks last September with the Bulgarian Foreign Trade Bank (BFTB). The BFTB holds 80 per cent of the total commercial debts. Additional rounds of talks proved futile. But Mrs Todorova remains confident that some agreement can be reached in September.

Meanwhile, in Sofia a special Debt Information Group is expected to sieve through every Letter of Credit from the 308 banks. "We have to find out the precise data on what currencies we borrowed, over what period of time and the maturity of loans. Essentially, we have to set up a data base," Mrs Todorova explains.

But she and Mr Ivan Kostov, the finance minister, believe Bulgaria is simply not in a position to ask for debt forgiveness, even though Poland has had its debt halved.

Unlike Poland, however, the bulk of Bulgaria's debts are owed to banks rather than governments. This makes debt forgiveness almost impossible.

Instead, Mrs Todorova believes some kind of debt-equity swaps combined with a rescheduling programme could be possible. Mr Kostov admits there is very little room for manoeuvre. "The state will guarantee rescheduling when the state becomes capable of servicing the debt. We need a solid basis for debt rescheduling, an economy which can be export driven."

Judy Dempsey

The road to debt reform

IN 1990, the Bulgarian Foreign Trade Bank (BFTB) was due to repay $3.6bn in principal; $1.8bn in 1991; and $0.8bn in 1992. Of that amount, $1,800m is owed to German banks; $1,400m to Japanese banks, $1,100m to British banks, $520m to French banks and $540m owed to the USSR.

The BFTB until recently acted as a half-way house between a central and commercial bank. It had been responsible for foreign payments and settlements as well as for borrowing abroad.

Since January, the government has been working on plans to restore the credibility of the bank through a radical reform of the entire banking system. The system, which consists of the National Bank of Bulgaria (NBB), the BFTB, the State Saving Bank, eight specialised commercial banks and 60 universal banks, is undercapitalised. Their capital is a small percentage of risk assets. Many banks are too small to be efficient.

Some reforms, adopted in 1989, were implemented in 1990. A two-tier banking system was introduced, with the NBB becoming the Central Bank.

In April 1990, the NBB introduced a non-remunerated minimum reserve requirement of 5 per cent on deposits. Commercial banks are now required to maintain a minimum equity to assets ratio of 4 per cent.

Exposure to a single borrower must be limited to five times their equity by the end of 1990 and four times by the end of 1991.

Despite these changes, the quality of banks' loan portfolios is thought to be questionable. Soft budget constraints on enterprises often meant rescheduling of unpaid loans. In addition, enterprises were often granted special interest rates aimed at coping with losses or non-profitability.

Western experts and Bulgarian economists believe the reforms must be more comprehensive if soft budget constraints on enterprises are to end and if the banks are to play a major role in the reforms, including privatisation. Reforms should include:

- promotion of supervision of the banks and the banks management;
- the introduction of independent auditing;
- the expansion of the banks' equity to assets ratio;
- scaling down the number of banks;
- stricter attention to loan appraisal and risk management.

J.D.

FT LAW REPORTS

Ship enters Bombay at 'prior entry'

ANTCLIZO SHIPPING CORPORATION v THE FOOD CORPORATION OF INDIA
Queen's Bench Division (Commercial Court): Mr Justice Hirst: May 2 1991

A CHARTERED vessel is "entered at Customs House" for the purpose of calculating laytime at an Indian port as soon as prior to entry procedures have been completed in accordance with Indian legislation and the Indian customs procedural code.

Mr Justice Hirst so held when giving judgment for Antclizo Shipping Corporation, plaintiff owners of Antclizo, on a special case stated by Mr Anthony Colman QC, umpire on an arbitration claim by the owners against charterers, The Food Corporation of India.

HIS LORDSHIP said that by a charterparty dated October 20 1973, Antclizo was chartered for a voyage from the US to India. By clause 34 of the charterparty laytime was to count from 24 hours after receipt of notice of readiness to discharge, "vessel also having been entered at Customs House and in free pratique whether in berth or not".

The vessel arrived at the Bombay floating light on December 30 1973. She tendered notice of readiness to discharge next morning.

The main issue in the case related to demurrage. The first question was as to when the vessel was "entered at Customs House" within clause 34.

By section 31(1) of the Indian Customs Act 1962 the master could not permit unloading until customs had granted "entry inwards" to the vessel. No such order would be given until an import manifest had been delivered.

The umpire, having quoted from the 1962 Act and the Central Manual of the Import Department in the Customs Houses, published by the Indian Central Board of Excise and Customs, found that Indian Customs encouraged delivery of the import general manifest before the expected date of arrival.

Some days before arrival local agents would prepare an import general manifest and an application for entry inwards, including an undertaking to enter the vessel immediately after arrival. They would take those documents to the Customs House and the vessel would be entered in the inward entry register and stamped as having been admitted under "prior entry rules".

Prior entry was the name given by those in the Indian shipping trade and the customs authorities to the system of lodging the import general manifest and application for entry inwards. The system was widely used for the purpose of saving time in completing customs procedures. It was used for 85 per cent of vessels discharging at Bombay.

A vessel on whose behalf prior entry procedures had been completed was described in the Indian shipping trade as having been "entered" with the customs. Where the vessel was to be wholly or partly discharged at inner anchorage her agents must obtain special permission to break bulk in stream from the customs import department. After approval the vessel was treated by the customs as if it had received an order granting entry inwards *before* completion of the inward entry register.

The umpire found that on December 29 1973 the owners' agent completed prior entry, and on December 30 the vessel arrived at the Bombay floating light and anchored. On December 31 she got free pratique and gave notice of readiness.

On January 1 1974 the owners' agent collected the documents which remained to be lodged with the customs import department, and the customs clerk completed the entries in the register. An order granting entry inwards was made when the customs boarding officer approved the vessel and signified permission to discharge at inner anchorage. The umpire found that after prior entry procedure had been completed, and therefore when the vessel gave notice of readiness, it was entered at Customs House within the meaning of clause 34.

He found also that when the vessel gave notice of readiness she was legally ready to discharge, in the sense that there was no reason in law or fact why she should not have been allowed to discharge in stream at once.

The charterers submitted that the umpire was wrong in concluding that the vessel was entered once prior entry procedure was completed. They said that on the proper construction of the clause "entry at Customs House" was not made until the final stage of entry inwards procedure, that is, final entry.

In four first instance decisions similar questions concerning demurrage at Indian ports had been considered. The first two were in conflict with the later two, the reason being that a great deal more background information had been made available when the two later cases were decided.

In the *Apollon [1983] 1 Lloyd's Rep 409* and the *Delian Leto [1983] 2 Lloyd's Rep 496*, it was held that the vessel was entered under prior to entry rules. In the *Albion [1987] 2 Lloyd's Rep 365* and the *Nestor [1987] 2 Lloyd's Rep 649* it was held that "entry" meant final entry.

It was common ground that none of those cases was binding on the court.

The umpire made significant findings of fact based on material and evidence which was not available in any of the earlier cases.

The manual was an India-wide code of procedure. As a set of regulations laying down day-to-day procedures in detail, it was of the utmost importance and to be regarded as part of the matrix having weight comparable to the Act itself. The umpire's findings also were of great importance as part of the matrix, demonstrating the intrinsic significance of prior entry, not only as operated in practice but also as perceived by traders, customs authorities and the court.

Those matters constituted a substantial and significant body of additional material not before the court in the previous cases. The present court therefore must put its own construction on clause 34.

On the evidence, in particular the manual and the practice at Indian ports including Bombay, discharge became legal when the preventive officer permitted inward entry, which was in between prior entry and final entry.

That critically weakened the tie between clause 34 and final entry, particularly since grant of inward entry did not involve physical entry in the register.

Not only did the evidence significantly upgrade the intrinsic importance of prior entry but it also downgraded the intrinsic importance of final entry, since the umpire's findings showed clearly that, in accordance with the manual and the practice of Indian ports, discharge would normally have begun before final entry was completed.

Prior entry was a physical entry in the register to which all relevant parties attached importance. It constituted the only entry made as a matter of practice in accordance with the provisions of the manual prior to commencement of discharge. The owners' construction was therefore preferable for commercial reasons.

Taking all those considerations into account, the owners's construction of clause 34 was correct. There was no fault in the umpire's reasoning in reaching that conclusion.

The charterers submitted that it was only after final entry that notice of readiness could legally be given, on the footing that until then discharge would be unlawful.

The owners submitted that on the evidence, once the vessel had completed the prior entry procedure and obtained special permission to break bulk in mid-stream, there was nothing to prevent her from lawfully discharging immediately on arrival at inner anchorage.

In *Delian Spirit [1972] 1 QB 103* Mr Justice Donaldson said a vessel was ready if there was nothing to prevent her being made ready at once if required. In *Tres Flores [1974] 1 QB 265* Lord Denning said the master must be in a position to say "I am ready to load at the moment you want me... and any necessary preliminaries... will not be such as to delay you".

The court assumed without deciding, that Mr Justice Donaldson's more stringent "readiness at once" test was the appropriate criterion. The umpire's findings satisfied the test. The vessel was legally ready to discharge when notice of readiness was given.

There was no fault with the umpire's reasoning. His decision was upheld on the demurrage issue and on all other issues including an issue under the freight clause of the charterparty, on which he held that "settlement" in "balance of freight will be paid after... settlement of demurrage" meant "agreement or determination", and not "payment".

For the charterers: Adrian Hamilton QC and Geraldine Andrews (Gagrat Gardi).

For the shipowners: Anthony Clarke QC and Charles Haddon-Cave (Herbert Smith).

Rachel Davies
Barrister

TECHNOLOGY

Magnet's powerful attraction

Magnets are one of the unsung heroes of the mechanical age. Without them there would be no motors to power vehicles, washing machines, industrial machinery or personal stereos. Many medical machines would be inoperative without them and magnets are even being used to prevent water pipes from furring up.

Today's US$3bn (£1.7bn) world market for magnets is set to double in the next five years as the demand for smaller magnets to help power miniature consumer gadgetry continues to rise and lighter magnets are needed to introduce mini motors into cars. Already today if you prize away the bodywork from the latest motor car you will find up to 80 magnets in it – built into the motors for everything from the windscreen wipers to the electric windows.

The leading suppliers of magnets are Japanese, in particular the Sumitomo Group. But three-year-old Magnet Applications, part of the British Cookson group, has devised a magnet that it believes will give the company a world presence.

Made of bonded neodymium, a rare earth mineral, the Bremag magnet is 10 to 15 per cent more powerful than any other magnet of the same size on the market, says Keith Blunden, managing director of Magnet Applications.

The breakthrough has been achieved because of the way the material is processed and pressed and because of the *type of binding agent used*. Blunden says the company is continuing to work on the magnets to increase the power to weight performance.

Although neodymium is 30 times as expensive per kilo as ferrite, one of the most common magnet materials, the cost for a neodymium magnet of equivalent power to a ferrite one is only about five times greater. And because these *small rare earth magnets* result in smaller related motor parts, the overall cost of a motor containing a Bremag magnet could compare favourably with the cost of using an older technology.

Della Bradshaw

Helen Sharman, Britain's first astronaut, will be launched into space tomorrow on an Anglo-Soviet flight, writes **Barbara Wood-Kaczmar**

Woman with a mission

Helen Sharman with a model of the rocket that will send her to space tomorrow on an Anglo-Soviet flight

In the next century, when the goods in shops are stamped "made in space", the inscription could be in Russian. For the Soviet Union is on the way to becoming a leader in space "business".

While the glamorous moon walks and shuttle flights attract most of the attention, the more mundane process of industrialisation is beginning to take shape.

The Soviets are capitalising on 20 years' experience of working in space stations, which have progressed from the purpose-built Salyut series to their present state-of-the-art Mir space station.

Cosmonauts on Mir have carried out continuous research and pilot projects for the last five years. The crew of three is often in space for several months at a time, and one of the members on tomorrow's mission, Musa Manarov, holds the world record for the longest orbital flight of 366 days.

Space provides factory conditions unavailable on Earth. Low gravity (known as microgravity), a high vacuum and free solar energy can be exploited to develop new technologies and improve existing terrestrial ones.

As part of the Soviets' commercialisation plans, foreign governments may buy flights for their astronauts on Mir. Britain's first astronaut, Helen Sharman, is being sent up tomorrow as part of the Anglo-Soviet Juno project – originally *intended to have British* experiments on board. But because British sponsorship was not forthcoming either from the government or from industry, Moscow Narodny Bank is funding the journey. As a result, Sharman will be conducting Soviet experiments.

Sharman will embark on a heavy work schedule which meshes in with Soviet research. She will carry out *experiments in fields as diverse* as metallurgy, medicine, biology and Earth observation.

A chemistry graduate with research experience in engineering and biology, Sharman is ideally suited to carry out these varying projects.

At 27, she has thrived on the rigorous astronaut training programme conducted in Russian. "I can't think of any other job where I could com*bine languages, science and* physical fitness," she enthuses.

Space technology has the potential to transform Soviet industry. The Russians predict that more then 400 new materials could be produced in space, including superconductors, detectors for infra-red light and nuclear radiation, catalysts, polymers, plastics, magnetic materials and high-strength composites.

Officially the Soviet Union spends Roubles 7bn (£2.3bn according to the commercial rate of exchange) annually on space research. Some experts believe that space factories will eventually yield Roubles 400m-800m yearly in profit, while others predict the combined Soviet applied space systems could earn Roubles 25bn during 1991-95. Such claims must be treated with caution as the Soviets have yet to demonstrate that their commercial skills equal their technological prowess.

The most important money-spinning project Sharman will perform is the production of large, super-pure crystals for the electronics industry and quartz crystals for glass manufacture.

"On Earth, impurities may settle or rise to the top and it is very difficult to get a large pure crystal," Sharman explains. Even pure crystals will not have a perfect internal lattice structure because of minute deformities caused by the Earth's gravity.

Crystals made on Earth are reheated in the station's crystalliser module. Under microgravity they recrystallise into a perfect shape.

Improved types of glass are produced this way – they have fewer defects and/or greater transparency. Also, glass with special properties for lasers and optical fibres can be made which cannot be produced on earth. In space, containerless processing maintains the purity of the glass.

Sharman will also make new, super-hard metal alloys in the space furnace. Materials easily contaminated by reactions with vessel walls can be accommodated by containerless processing – in microgravity, surface tension forces cause the material to form an easily manipulated sphere with no need for a container.

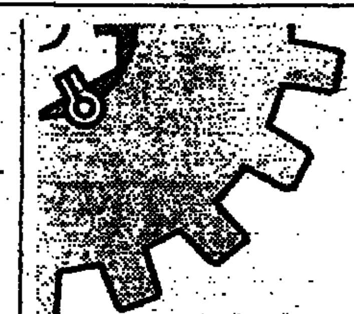
Sharman will also carry out medical experiments. Astronauts suffer loss of body fluids and bone and muscle depletion in space. To stay healthy Sharman and her fellow cosmonauts must exercise each day in Mir's gym. Sharman's experiments should increase our medical knowledge so that manned missions to Mars might be possible.

One of Sharman's many roles is that of oil and gas prospector. She will observe the Earth through a variety of cameras on Mir's Kvant observation module as part of the Soviet natural resources programme. This helps geologists to find oil, gas and mineral ore supplies. Agriculturalists also benefit – they can follow the effects of erosion, fire and drought on soil condition.

The Soviet success with Mir has been due to sticking to the same Lego-type design: to increase size, they simply slot on extra modules to the basic core. Mir is not supplied by expensive manned spacecraft like the Shuttle. Instead, automatic cargo ferries restock the station and return its manufactured products to Earth.

Mir's success has led to the Soviets launching a fleet of automatic unmanned space factories – the Photon satellites which produce pharmaceutical products and components for the electronics industry.

Six Photons have been orbited since 1985 and the Soviets are now boosting production, so great is the demand. The European Space Agency is one customer planning to use the Photons in 1993. The Soviets' ultimate goal of large-scale production should be met by the launch of a large, multipurpose automatic platform around the year 2005.



WORTH WATCHING

by Della Bradshaw

Red light shines at car thieves

CAR thieves beware: an Australian company has developed an electronic tagging system which helps identify stolen cars as they whiz past traffic lights.

The system incorporates a tag and a reader system, similar to existing radio-based tagging devices. But it has been devised so that the reader can detect the tag as far as 14 metres away – and when it is moving at speed.

Each tag, developed by Integrated Silicon Design, of *Adelaide, incorporates an* antenna and a silicon chip with a unique code. Radio waves from the reader, which would be installed at road intersections, charge the tag as the vehicle passes. The tag then sends back its code for identification, enabling police to establish the whereabouts of vehicles.

The tag can be built into the car during its manufacture, and does not need to be in line of site of the reader for the identification to take place.

Don't blame it on the local network

ONE of the problems for financial institutions which want to install local area networks is how to ensure that the networks are "fault tolerant" – so that they do not go out of service when transmitting important information.

To achieve this Bytex, of Southborough, Massachusetts, has taken the fault tolerant technology it developed in wide area networking and has extended it so that it can be used for token ring local networks. The company claims that one of the most important developments in achieving fault tolerance has been to replace the multiple access units used with most networks by electronic switches.

The Maestro networking hub can support 144 network stations and up to 32 sub-networks joined together. The company is now working on an Ethernet version of the equipment.

Strong polymer put in the picture

AN instant camera which produces holograms or a pair of goggles which deflects laser light are two of the products that could result from a novel polymer developed by IBM scientists in San Jose, California.

The polymer, a mixture of a new type of epoxy and an organic powder of nitrogen, carbon and hydrogen, alters its refractive index when light is passed through it. Such qualities have been identified in expensive crystals, such as lithium niobate. IBM scientists at the Almaden Research Centre believe the ability to produce the polymer more cheaply and in a more controlled manner than these crystals may result in many applications becoming feasible.

Although the polymer does not out-perform the crystals at the moment, IBM researchers are continuing to develop the material. Once its performance is improved it could find a home optical storage devices and opto-electronic components.

Guide to reading the gene map

THE mapping of human chromosomes is to be speeded up with the help of an automated machine which transfers tiny portions of selected cells from the plate on which they are randomly grown to the ordered array in which they will be cultivated and tested, writes Anna Kochan.

In 48 hours it can do the work that three scientists would have taken two to three months to complete, according to the Medical Research Council in Cambridge, where it was developed. A vision system developed by UK company Visionways is key to the machine. Using a colour video camera and specially-developed software the Visionways system scans the random location of cell colonies on each plate and identifies where they are. This information is then used to guide the computer-controlled "picking" unit to take samples. Comprising six radial pins, the "picking" unit can take 1,000 samples an hour. It is automatically sterilised every six samples.

The MRC is negotiating with a number of companies to market the machine so it should be commercially available within a year.

Accounting for different rules

SIEMENS Nixdorf, the German information technology company, has launched a financial management software package which is multi-lingual and multi-currency and can be programmed to handle the accounting rules used in different countries.

SN Financials, as it is called, is a Unix package which works with Informix, Ingres or Oracle databases. Central to its versatility, claims the company, is a "knowledge base" which is customised for each user company. The knowledge base is a repository of all the information needed to run the accounting system for that particular organisation and the presentation of the data is tailored so that the company can choose the way it looks.

Braille cards are creditworthy

A WALLET-FULL of credit cards can be difficult to sort out even for those with perfect sight. But for the blind or partially-sighted it can be a nightmare.

So the Havant, Hampshire-based arm of the US plastic card producer DataCard has developed the machinery to emboss Braille characters on to plastic cards.

Up to 14 characters per line can be embossed on the card around the magnetic stripe and the hologram. For banks and other financial institutions DataCard envisages the characters denoting the name the issuing company plus the different services – such as cheque card guarantee, credit card and so on.

DataCard has also developed the machinery to enable clubs or libraries, which issue their own plastic cards, to imprint the Braille characters.

Contacts: Integrated Silicon Design: Australia, 8 223 5802. Bytex: US, 508 480 0840; UK, 081 897 2522. IBM: US, 408 927 1080. MRC: UK, 0223 248011. Siemens Nixdorf: UK, 0344 862222. DataCard: UK, 0705 486444.

THE PROPERTY MARKET

How under-used assets can be exploited

By Vanessa Houlder

ESTATE managers are the Cinderellas of the property industry, and are rarely involved in strategic decisions.

For many companies, the result is that their property is less valuable and less suitable than it should be.

A 1989 Reading University study found that most companies had only a basic understanding of their property assets and how well they met their needs. The report found that data about property was often inaccurate and inaccessible. Few companies knew the cost or contribution made by property. Fewer knew the opportunity cost of property – the market rent for the space they used.

Many companies have paid a high price for this carelessness. A mismatch between a company's operating activities and its asset structure is one of the prime reasons most companies are vulnerable to takeover.

"Time after time the benefits of takeovers are achieved through facility reorganisation and rationalisation; it is much rarer – and much more difficult – to achieve bottom-line benefits from factory floor activities," says Mr Bruce Lloyd, head of the management centre at the South Bank Polytechnic.

But even when a company is not threatened by takeover, it can lose out badly if its assets are under-used. Money tied up in property could perhaps be better employed elsewhere. A recent study by the London Business School found that property accounted for an average of 30 per cent-40 per cent of a company's total assets.

In the same way, property occupancy costs are a prime component of total costs for many organisations, frequently second only to payroll in importance. For example, a secretary's salary can easily be exceeded by his or her accommodation costs in central London, when overheads are taken into account. Reductions in overhead costs go straight through to the bottom line.

Overhauling a company's property assets is not easy, particularly in the trough of the cycle. The clash between the long-term extent of many property decisions and the cyclical nature of the property market can upset even the best-laid plans.

As London rents plummet, relocation plans (made when the costs of working in London were soaring) may look less relevant. The over-supply of buildings may narrow the scope for sub-letting surplus space. And companies are reluctant to sell surplus property while the property market is on its back.

Nonetheless, most companies should be able to make improvements. Suggestions made by St Quintin, chartered surveyor, at a recent seminar, include the following:

- Developing a property management plan. This should start with a full property audit, covering occupational and opportunity costs, known space requirements and extra or hidden values. When compared with the business plan, the company should be able to project space needs.

The company should then draw up its plans, highlighting those properties that are under-used and those that should be redeveloped or refurbished. It should set performance targets, with annual revenue savings targets, reductions to backlog maintenance, floor space and property disposals. It should also draw up a long-term maintenance programme. Even routine repairs can waste money if they are made under pressure.

- Segregating the roles of the occupier and property investor. This should bolster the position of the property manager, helping to cut occupational costs.

At the very least, employees of the corporate estates department should be separated into landlord and tenant services. Large companies may be able to justify in-house tenant surveying services to protect the operating company's position as tenants.

Either way, a company should have a formal division of its operational and investor needs to the lengths of having legally binding leases, often with independently judged rent reviews.

"Our experience suggests that informal memoranda are ineffective and insufficient to create a genuine segregation of landlord and tenant responsibilities," says Mr Howard Bibby, head of corporate property services at St Quintin.

- Charging. Occupiers should be charged both for the true cost of the premises they occupy and for providing property management services. "It is wishful thinking to expect that any businessman would use property economically or sensibly if it is provided free of charge," says Mr Bibby.

Probably the most effective way of introducing charges is, like Barclays, to have a separate property holding company. (This can, incidentally, give a one-off tax advantage).

Kingfisher was one of the pioneers of this approach in the early 1980s. The arm's-length relationship between the shops and the property investment side that was introduced when it set up its Chartwell Land subsidiary exposed the marginal profitability of some of its stores and led to a drastic reduction in the number of its retail properties.

Retailers and other companies with clearly defined profit centres, such as pubs, car repair outlets and banks may be particularly amenable to this treatment of their assets. But the pressure to improve property management applies right across industry and is especially acute at present in the public sector and the newly privatised utilities.

An awareness of the neglect and potential importance of property assets seems to be gathering momentum. But there is still a long way to go. "It is a matter of philosophy," says Mr Tim Ayre, investment director of Chartwell Land. "A lot of companies think that property is a necessary evil."

TOTAL RETURN (%)

	Retail	Office	Industrial	All Properties
Year to March 91	-6.4	-11.1	-3.7	-7.9
Quarter to March 91	-0.9	-3.0	-0.4	-1.7
Month of March 91	-0.5	-0.6	0.0	-0.4

Investment Property Databank

BPH's David Turner: 'We have to be a commercial developer'

Sea-change for Barclays Bank

WITH a branch on most high streets, Barclays Bank is one of the country's most conspicuous landowners. But since this broad presence costs some £1.3bn, Barclays lays heavy emphasis on the efficient management of its assets, writes Vanessa Houlder.

With this goal in mind the bank set up Barclays Property Holdings (BPH) in January. "We wanted to put the management of the portfolio on a par with a property company," says Mr David Turner, managing director.

The crux of this change for the property division is a shift from a cost centre to a profit centre. Now, the banks have to pay for everything from their rent to the cost of a feasibility study on a relocation. "There has been quite a sea-change since January 1," says Mr Turner. "They don't consider property to be just another resource."

For the past nine years, Barclays has charged its branches a notional rent. The switch to paying real rents has nevertheless concentrated minds even further.

Not surprisingly, the change was not instantly popular with BPH's clients. Mr Turner took several months discussing terms and fees with the regional directors, who initially had "fairly major reservations". Mr Turner says that the overall reaction has been very good.

BPH wants to develop Barclay's unwanted property, although at this stage of the cycle it has to be content with doing the groundwork, such as obtaining planning consents. While BPH will borrow from its parent to do the development, obtaining property finance is no pushover. "We have to be a commercial developer," says Mr Turner.

Corporate relationships

Putting collaboration into sharper focus

Michiyo Nakamoto explains how Matsushita exhorts the suppliers to its Welsh TV plant to achieve high quality

When Matsushita Electric (UK), the Cardiff-based and Japanese-owned consumer electronics group, decided to incorporate Invar mask technology in its television sets, it turned not to one of its suppliers in Japan, but to a major UK parts supplier.

Using an Invar mask makes it possible to receive much more vivid pictures than are seen on conventional television sets, but the technology has not been used much in domestic sets because of the high costs involved.

The company Matsushita approached was Philips Components, the UK subsidiary of the Dutch consumer electronics company.

"When we asked Philips if they could develop Invar mask technology for use in domestic TV sets, we found that they had already been working on it and had been looking for a partner to bring it to its final stage of commercialisation," says Tadahiko Awaya, design director in the Europe Television Division of Matsushita Electric UK.

As a result, Matsushita requested some technical changes to a prototype Philips had developed, but it imposed a tight deadline for completion. Philips had just six months to provide a selection of sample products and to test them for reliability. Close co-operation between the two companies enabled the time frame to be achieved.

The way in which Matsushita and Philips worked together on Invar mask is a prime example of the kind of collaborative relationship that Matsushita, and a growing number of other Japanese manufacturers, are increasingly developing with local European Community suppliers.

Japanese manufacturers in the UK have been criticised for setting up "screwdriver" plants for essentially political reasons – as a way of getting round EC barriers to Japanese market entry – but their need to strengthen their relationships with local suppliers is much more than that.

The more compelling incentive is the need to maintain a competitive edge in product innovation and in price.

"In order to remain competitive we need to respond efficiently to the specific needs of the European market," says Awaya. "And in order to do that the capacity to design and develop products has to be located as close to the market as possible.

Tadahiko Awaya (left) and Steve Davies: in order to remain competitive Matsushita must design and develop products as close to the market as possible

"Standard products that go into a TV set can be made anywhere. But in areas like integrated circuits where there are such major differences between Europe and Japan, we need to make them here," Awaya points out.

The other incentive for bringing product development and design closer to the market is the need to be price competitive. "Seventy per cent of the average TV cost is the cost of the raw material, so you have to get it right," says Terry Davis, Matsushita's purchasing director.

"Purchasing for profit," as Matsushita puts it, means both sourcing components as cost-effectively as possible and constantly reviewing where production costs can be reduced. This is where collaboration with local suppliers can make the difference. For example, this concept applies even to the expanded polystyrene used for packaging – a very good opportunity for cost cutting, Davies says.

"We gave the packaging we had been using to a local supplier and asked them to design something more cost effective. They came back with an improved product that cost £1.80 less per unit.

"Now we are looking at the packaging further to see if we should be approaching it with an altogether different design concept."

Generally, this kind of collaboration begins with Matsushita approaching a supplier, or vice versa, with an idea on how to improve performance or raise product quality.

If the idea sounds feasible to both sides, the supplier will bring in a sample and Matsushita will make comments or specific requests. At this point the supplier will have a clearer idea of what can and cannot be done and Matsushita will be able to weigh the benefits of proceeding.

After the decision to go ahead is made, the next step is to assess the product's reliability. "There are hundreds and hundreds of tests of quality and so on that have to be passed and dozens of improvements that have to be made in the process," Awaya says.

Matsushita is looking for greater collaboration with local suppliers in high technology areas like customised chips where innovation is crucial in maintaining a competitive edge. "Unless we use European technology," Awaya emphasises, "we cannot keep up."

The company is also working closely with its suppliers to persuade them to accept Matsushita's standards of quality, Awaya says. He explains that the Japanese view that products must be 100 per cent free of defects when they reach the market is in stark contrast to the attitude in Europe where defective products are taken for granted.

To this end, discussions are held regularly on an informal basis through visits by Matsushita staff to suppliers and vice versa. Matsushita staff, for instance, from the purchasing division or quality control, are encouraged to make routine visits to their suppliers – and not only if there is a problem.

At least one UK supplier has made huge changes in terms of cleanliness, order and image after one such visit from Matsushita.

Representatives from Philips Components, which has a joint quality improvement programme with Matsushita, makes an annual pilgrimage to Japan, besides visiting Matsushita's Cardiff plant regularly.

"These visits help to unravel a whole morass of problems," says Davies. "We make it abundantly clear to our suppliers that we are available to deal with any problems," says Davies. "We are very loyal to them and they are very loyal to us."

He claims that a visit by Matsushita can explain to a supplier why they are getting rejects sent back by pointing out what is causing the product to be rejected.

This intensely close contact provides Matsushita with a better understanding of its suppliers as well as an opportunity to learn from their suppliers' technological developments.

"Companies like Matsushita expect a total commitment from their suppliers," says Stuart Longley, director of Philips Components' display components division. Philips has therefore instigated an intensive training programme to ensure that staff have been "thoroughly educated into thinking that quality really matters," says Longley.

"Ten years ago if we delivered a thousand tubes to a customer, nobody would be particularly surprised if 100 failed to meet all the requirements. Today we're failing when just a few don't. Every product which leaves our factories must be perfect," says Longley.

Awaya claims that "after years of working together, our suppliers now understand us completely".

The basis for such understanding takes considerable time to develop. The suppliers with which Matsushita has a collaborative relationship have generally been with Matsushita since it set up its plant in the Pentwyn Industrial Estate in Cardiff 17 years ago.

"There is a constant to-ing and fro-ing in the collaboration process," says Davies. To this end, Davies hopes to re-introduce seminars to help suppliers obtain a better idea of what is expected of them and or how they can be helped with any problems they may have. "It's a way of saying to our suppliers, this is Matsushita, this is where we are going, do you have a place in our plans?"

Victorian values and control of the shop-floor

Geoffrey Owen compares UK and US industrial performance

Britain's relatively poor economic performance since 1945 is sometimes attributed to the country's early start in the industrial revolution; institutions and attitudes which were appropriate for the Victorian age were allowed to persist for too long.

In an interesting version of this thesis, William Lazonick, an American economic historian, argues that by conceding control over the shop-floor to skilled craftsmen Victorian entrepreneurs left a legacy which made it hard for their successors to compete with the US in the early 20th century.

The Americans, eager to exploit mass-production methods, transferred skills and responsibility from shop-floor to management. But this approach, too, has become a handicap in the new era of "flexible mass production", pioneered by the Japanese, in which high levels of skill, responsibility and commitment on the part of shop-floor employees are essential. Thus both the British and the Americans, Lazonick argues, need to break with their past.

In the emerging cotton industry of the late 18th century, the chief male spinner, first at his home and then in the factory, was paid by the piece and was responsible for hiring, supervising and paying his assistants, sometimes members of his family.

With the introduction of the self-acting mule in 1830 and the move to large-scale factory production, this sub-contract system was left in place; the chief spinners, or minders, kept their control over shop-floor organisation - a control which paved the way for the creation of strong craft unions.

British capitalists in this industry, says Lazonick, invested in factory buildings and machine technologies but "neglected to invest in managerial structures that could have exercised control over workers' access to skills and the amount of effort they supplied". That control was left in the hands of shop-floor workers and as a result the capitalists "gave up the power to manage the shop-floor division of labour".

Partly because of the greater mobility of American workers and their lack of attachment to a particular firm or locality, the minders in the textile mills of New England never acquired the same authority as their Lancashire counterparts; American management retained complete control over work organisation.

There were also differences on the demand side. While British mills supplied highly-finished but lower-quality cloth to poor countries in Asia and Latin America, the Americans catered for a high-income domestic market, which called for better-quality cloth produced in volume.

The US lead in introducing modern machinery, such as ring spindles and automatic looms, became painfully obvious in the inter-war period, when the UK's traditional markets were contracting. Modernisation was held back by the power of the British unions to protect their positions of craft control, notably by determining piece-rates and the number of machines per worker.

Britain's failure "to take the organisation of work off the shop-floor", as Lazonick puts it, was even more serious in the newer industries such as motor vehicles and electrical equipment.

Between the 1890s and 1930s the US developed a new form of managerial capitalism, involving the creation of management hierarchies to plan and co-ordinate complex, multi-plant corporations. This was associated with the de-skilling of many shop-floor activities, the application of Frederick W Taylor's "scientific management" to the organisation of work and a vigorous attack on trade unions.

At the same time there was a marked increase in the employment of salaried specialists – engineers, accountants, lawyers, supervisors – drawn from the rapidly expanding network of colleges and universities. All these changes contributed to spectacular productivity gains in the period from 1919 to 1929, when the US consolidated its position as the world's leading mass producer.

The economic crisis of the 1930s led to the revival of trade unions in a different form, based on industries rather than craft skills. They secured more stable employment and higher wages for their members. But the social gulf between management and shop-floor remained.

As competition in the mass-production industries has shifted towards quality and flexibility, discipline on the production line is now no longer enough. The manufacturer needs shop-floor workers with a range of skills and the willingness to take responsibility.

This is where the Japanese have scored. Their problem in the post-war period was to transform unskilled workers into skilled workers and then to retain them by integrating them into the organisation.

The Japanese foreman became, not merely an enforcer on the US pattern, but a developer of the skills of his subordinates. "In contrast to the American practice of applying the terms unskilled, semi-skilled and skilled to different types of jobs to be filled by different types of worker, the Japanese have used these terms to apply to the stages through which a particular male worker passes in the first ten years of employment."

Lazonick perhaps puts more weight than his facts justify on the persistence of craft control as a factor in British industrial decline. But he is surely right to stress the importance of institutional rigidities and to describe the Japanese approach to shop-floor organisation, not as a unique cultural phenomenon, but as a rational response to technological and market challenges.

The British and Americans now have to meet the Japanese challenge. They will only do so if they are prepared to reappraise traditional attitudes and institutions which stand in the way of long-term organisational commitment.

Competitive advantage on the shop-floor, by William Lazonick, Harvard University Press, 419 pages. £29.95.

Sir Geoffrey Owen is on the staff of the Centre for Economic Performance at the London School of Economics.

ARTS

A treasure trove of drawings

One of the most remarkable art historical finds of the last decade must be the cache of drawings from the workshop of the Roman goldsmiths, Andrea, Luigi and Giuseppe Valadier. The 1,200 or so drawings were discovered in boxes in a private collection in Germany three years ago by art dealers Artemis. Some 144 highly finished presentation drawings were found mounted in an album, another 100 more were loose. The rest are working drawings representing all three generations, varying from the scrappiest doodle to developed designs. With them came a detailed inventory listing the contents of the 14 Valadier workrooms in 1810.

The material is invaluable. Luigi Valadier was by far the most important Italian goldsmith of the 18th century. This holding, complementing another Valadier album in Faenza and a group of drawings in the Cooper-Hewitt in New York, constitutes the only extensive archive of drawings by any family of 18th century goldsmiths.

Its future as a study collection, however, seems doomed. Artemis, unable to find a buyer for the whole cache, is disposing of it piecemeal. Some 106 drawings are currently on display throughout three floors of its labyrinthine London premises (15 Duke Street, SW1, until June 12), along with a small loan group of Valadier pieces that survived the melting pot. It is a fascinating show.

Drawings for most of the major Valadier projects are represented. A sheet of the 1740s records Andrea's great gilt bronze gates for the Baptistery of the Patriarcale Church in Lisbon, commissioned by King Joao V, completed by 1747 and destroyed in an earthquake three years later. Their cost, a fabulous 36,000 scudi, was reckoned equivalent to £7,650 in 1844.

Those who know the cathedral at Monreale will be intrigued by Luigi's design for the high altar which included a six-metre high altar canopy, that, had it been built, would have soared heavenwards and merged with the celebrated mosaics. The massive altar is still in situ, as are the six silver saints that were conceived to line it. The chalk, pen and ink, and wash cartoons for these venerable figures line the lower gallery.

Luigi's most important secular commission was the service commissioned by Prince Marcantonio Borghese: by now restrained Baroque has ceded to neo-Classicism. It was the grandest of 18th century Italian services, and the rediscovered working drawings both suggest its evolution and allow it to be reassembled, on paper at least. None of the pieces were thought to survive, but three items have recently been identified, including the splendid pair of sauce boats on loan from the Al-Tajir collection that are witness to Luigi's inventiveness, with four muscular satyrs heaving and straining to raise the circular boats.

A number of hands have begun to be isolated among the workshop draughtsmen. Luigi seems to be responsible for the most vigorous and vital design sketches on show, not least the exuberant woodcutter inkstand and wall sconce.

Most polished and decorative are the highly finished presentation drawings for the tureens, dishes and cruets for the Borghese service. We find female figures in classical drapery supporting bottles of oil and vinegar, their contents tinted buff and pink. Elsewhere colour-washed bottles sit in wine coolers, the sponge of a papal inkstand is distinctly purple and a rich frame is coloured blue to suggest lapis lazuli.

Design for a table centre attributed to the workshop of the Roman goldsmith Andrea Valadier, 1730-35

The combination of a rich variety of materials is a Roman - and a Valadier - speciality, as the drawings and the loans bear witness. Silver and gilt bronze, for instance, are married in the sanctuary lamps that were commissioned from Luigi by the 8th Lord Arundel for his new chapel at Wardour Castle. Rock crystal, silver gilt, marble and various alabasters contribute to the temple table centre enclosing dancing fauns and nymphs.

The most teasing attribution to the Valadier workshop, however, is the large bronze anatomical model of a flayed horse that is one of four versions of the famous Mattei Horse. This splendid prancing beast has been given to a variety of sources, including the workshop of Giambologna. Here, with the support of the 1810 inventory, it is claimed as one of the masterpieces of Luigi Valadier's workshop.

Despite his successes, and papal favour, Luigi was plagued by financial problems and ended his own life in the Tiber in 1785. Giuseppe, far more famous as an architect, sold the workshop in 1817 to his brother-in-law Giuseppe Spagna, whose family was to continue business in the via del Babuino until 1882.

*

The London goldsmiths Garrard & Co can also make a unique claim to document its lineage back to 1722, when its founder Georges Wickes registered his mark at Goldsmiths' Hall, but here the documentation takes the form of a series of ledgers that were rescued by the V&A when the firm moved premises in 1952. This summer, the company celebrates its Wickes-Wakelin-Garrard heritage with a sumptuous loan exhibition (112 Regent Street, W1, until June 8). Highlights include the Pelham Gold Cup, the gold centrepiece - both designed by William Kent - made for Frederick, Prince of Wales (Wickes), "quilted" rococo silver tureens (Wakelin) and a rare 18ct gold teapot of 1867-68 (Robert Garrard). Sportsmen will appreciate the 19th century trophies that were Garrard's stock in trade, including the America's Cup.

Susan Moore

The Philanthropist

WYNDHAMS THEATRE

The trouble with contemporary plays, even those slightly ahead of their time, is that they tend to date very quickly. Seen at the Royal Court just over 20 years ago, Christopher Hampton's *The Philanthropist* seemed fresh and full of rather daring ideas, like the assassination of the prime minister and half the cabinet. Since then, there have been two attempts to eliminate the cabinet that have come perilously close to success. The play no longer touches new frontiers.

There is a myth that in the 1960s everything was somehow faster, livelier and more carefree. See *The Philanthropist* now, and you may find parts of it painfully slow and static. You may also think that there is almost nothing to said for the character Braham, the financially successful writer who shows off at the dinner party in the first act, then disappears from the play. It may have been satirical once for a man to boast that he has given up his left wing conscience for money: Braham now is dull and implausible.

You may have grown a little tired, too, of jokes about philology and it may cross the mind that here is a typical English play that was thought clever when it was written, still has its moments, yet is distinctly low on substance. You may note further that almost every set of jokes is followed by a period of tedium.

Which is not to say that the new production should be avoided. If you have never seen *The Philanthropist* before, you will certainly be pleasingly surprised by the end of the first scene where blood and brains spurt all over the Picasso, and admire the way the very end of the piece comes back to the beginning, this time without bloodshed.

There is also Edward Fox who plays the philology don, Philip. True, he plays him much like he plays any other part, but he has a very distinctive style. He is, I think, a bit too prematurely senile in the physical sense, yet he catches the ultra-literal mind of the don very well, and all the familiar gestures are there. His best bit of business is over-pouring the corn flakes. Some people will enjoy the production for Fox's performance alone.

The other don is simply called Don, rather as the character in the play by the student who shoots himself at the beginning is simply called Man. That perhaps explains why he is not very interesting: generics will do. Incidentally, a joke about whether "Man" is spelled with one "n" or two as in Thomas failed to go down with the first night audience.

Much of the blame for the slowness should go not to Hampton, but to Kenneth Ives's direction. It is surely not necessary to have long monologues delivered almost without movement.

The whole production could be speeded up. It is still funny in parts, but old hands should not expect to relive that first, *fine careless rapture* despite the liberal sprinkling of Mozart, Albinoni *et al.*

Malcolm Rutherford

Alastair Muir

Edward Fox

Pavane

SADLER'S WELLS

There is an appalling arrogance about the managements of theatres and ballet companies who believe that the public may be assaulted with impunity. Subjected to the horrendous blast of pop-trash, at sound levels that are painful, audiences sit, eardrums ringing, and voice no protest, nor leave the theatre, when they should be demanding both an end to the racket and a sense of responsibility from the theatre. But as with motor-way food and airport delays and inadequate hotel service, we meekly submit, when we should be throwing rocks - verbal and actual - at the miscreants.

Torment by noise it not unusual at the Wells - there was a Yugoslav gang of deafeners that accompanied Michael Clark - and this was again the case on Wednesday when Birmingham Royal Ballet gave the first performance of William Tuckett's *Licence my roving hands*. An accompaniment is provided by something called the Jimi Hendrix Experience. This is not, I would have thought, an experience to be repeated, since it is junk-music of the most abrasive kind, amplified to painful levels.

There is no justification for such brutalism, and little enough for the ballet itself, even as an example of "Yoof Culcher". Lent a spurious integrity by a quotation from Donne's "To his Mistris going to bed", it amounts to a brief series of disco incidents, danced with a lot of energy and absolutely no eroticism by a handful of BRB artists.

Candida Cook has provided the correctly trumpery clothes - the girls in vulgar mini-skirts and punk wigs; the boys in black skin-hugging outfits and boots - and, inescapably, it is played out amid clouds of dry ice and intermittent bursts of red light. As dance it looks purposeless; as social comment it does not exist. In his *Rite Elektrik* for London Contemporary Dance seven years ago, Tom Jobe made a pertinent and convincing study on just this theme, which Tuckett nowhere rivals.

I would advice prospective viewers to take ear-plugs. Better still, since the piece lurks like a mugger at the end of the evening, make for the exit and save your hearing. To boycott the programme would be to miss the happy return of MacMillan's *Pavane pas de deux*, which looked eloquent in performance by Marion Tait and Mark Silver. Both artists understand the duet's sense of love serene and fulfilled, and Tait's grace of movement, Silver's elegance, are fine. They wear handsome costumes by Deborah McMillan.

This final bill of the BRB season also brought an ebullient but under-polished account of *Les Rendezvous*, and the Grand pas from *Paquita* with Miyako Yoshida in sparkling form. Musical standards under Philip Ellis were pleasing.

Clement Crisp

The Sleeping Beauty

NEW YORK STATE THEATRE

The best thing about New York City Ballet's new *Sleeping Beauty* is the dancing, and that is as it should be. Many other features are fine. Indeed, though New York City Ballet is new to this ballet, the staging is, over all, surely the best in the world today.

The staging is by NYCB's artistic director, Peter Martins, and it shows elaborate preparation and care on his part. He has placed the ballet in 17th- and 18th-century France, where it belongs; he has preserved a core of original choreography by Marius Petipa; he has drawn from both the Soviet and British traditions in the ballet; and he has also recreated features of the 1890 original that I never expected to see onstage - as when the Lilac Fairy appears in Act I from a fountain. His is an astonishingly quick staging. (At the Kirov, *Beauty* has three intervals and lasts four hours. Here it has one interval and lasts two hours and 40 minutes.) Its chief fault at present is that it seems breathless. And its lightness makes it, at first, seem insubstantial.

It acquires substance according to how much it draws from the Chaikovsky score. When Kyra Nichols dances Princess Aurora, moment upon moment beams forth, even at top speed, with high-definition brilliance. The foremost classical dancer in the world today, she has grandeur, tranquillity and address. She has *time* for everything (the hallmark of a true ballerina) and she makes life itself seem larger, more radiant.

In other performances (I saw also the Auroras of Judith Fugate and Valentina Kozlova), the ballet shrank in scale. The chief fault for this doesn't lie with the dancers. Even Nichols could have done with more help from her conductor and from the way the steps have been set to the score. No ballet company in history has a more distinguished record of musical achievement than New York City Ballet, which George Balanchine founded in 1948 and which he directed until just before his death in 1983. Today, however, NYCB is bedevilled by worse orchestral playing than even Covent Garden has ever known, and by conducting that seldom rises above routine efficiency and often sinks beneath it. And there are signs that its junior - *i.e.* post-Balanchine - dancers are not being guided to draw contrast, scale and definition from their music. Is Nichols's Aurora the exemplum which rising generations will emulate? Or is she one of the last guardians of a fading tradition? Watching this *Beauty*, it was easy to see how it could improve when it is revived in later seasons. Listening, it was easy to tell how it could deteriorate.

At a time when new stagings of 19th-century ballets usually drag them into centuries and locations their creators never intended, the combined traditionalism and freshness of Peter Martins's staging is very satisfying. Its most obvious "concept" is the work of designer David Mitchell, who has projected a series of to-and-fro journey pictures onto a frontcloth during the overture and the beginnings and ends of Acts One and Two. Thus a viewer is first taken, cinematically, in stages up an avenue to the castle, like an arriving guest; and later, after the Lilac Fairy has summoned up greenery to shroud the castle for a century, a viewer is drawn away, seeing the castle and all its park submerged by forest, like some horticultural Pompeii. Smart thinking; but not quite persuasively executed, and not really true to the music. Mitchell's costumes and sets are otherwise a handsome support to the stage action, sometimes too virulent in colour but always perfectly allowing classical dance to bloom.

Martins has made several cuts. In consequence, this staging misses some of the sense of abundance that should make *Beauty* poetically touching. Of all the old ballets, *Beauty* is the true cornucopia. But Martins hardly ever fails - as Soviet stagings do - to keep its storyline lively.

The Sleeping Beauty, a ballet about the continuance of classical tradition, is his most important and successful production to date. It is not the Balanchine *Beauty* we might once have hoped for. But the radiant, quick vitality of its dancing could only belong to Balanchine's New World classicism. Martins has only added only one overtly American detail: instead of the rats or gargoyles that usually accompany Carabosse, this version has massive, horrid cockroaches. Ah, New York!

Alastair Macaulay

La Clemenza di Tito

OPERA DE LAUSANNE

This was Gluck's treatment of the Metastasio libretto, long since superseded by Mozart's. But judging by this splendid performance at the Théâtre Municipal in Lausanne, the earlier version is worth reviving. Gluck's *La Clemenza di Tito*, written for Naples nearly 40 years before Mozart's, won him the reputation of *il divino Boëmo*. Its neglect probably stems more from what we know about Gluck's later development than from any inherent weakness in the work.

On its own terms as an *opera seria*, it is well-scaled, often beautiful, occasionally moving, with a distinct foretaste of the dramatic inspiration Gluck was to find in later years. It demands a high degree of vocal virtuosity and a clearly-defined visual style, which the Lausanne production supplied in ample proportion. But it also requires a conductor who can allow the music to breathe within the work's formal strait-jacket. Jean-Claude Malgoire has shown little sign of this quality in the past, and this performance with the Lausanne Chamber Orchestra offered no counter-evidence. Malgoire bludgeons the music.

From the opening bars, dynamics were maintained at a constant *mezzo forte*, with monotonously driven tempos and graceless, inflexible phrasing.

But even Malgoire could not smother the gliding figure on divided strings in Tito's first aria, which is suffused with sublime feeling. Nor could he suppress the range of emotion encompassed in Vitellia's betrayal aria or in Sesto's great *scena* in the final act - two clear examples of *dramma in musica* which find Gluck responding to the growing emotional entanglement of his characters. The Lausanne production enjoyed exemplary interpreters in each of these roles. Howard Crook's soft-centred, gentle-voiced Tito suggested that Gluck's emperor is a good deal more sympathetic and credibly human than Mozart's. Danielle Borst brought beauty, sinew and regal bearing to Vitellia; she also sang with classical passion, seizing on the meaning of the words. Audrey Michael handled Sesto's music no less brilliantly, but needs to bring more masculine character to the part. There were first-rate supporting performances from Elisabeth Baudry as Servilia and from Nicolas Rivenq, whose Publio resembled a bemused, imperturbable retainer. The only weak casting was the counter-tenor Dominique Visse as Annio, looking and sounding like an ugly duckling.

The staging was by Martin Schlumpf, a former Ponnelle assistant who has put his experience to good use. Like Ponnelle's *opera seria* productions, the stage is designed symmetrically and adorned with a series of partitions and drop-cloths showing Piranesi's Roman cityscapes. The costumes are all side-bustles and platform boots. Schlumpf also elegantly stylises the formal setting of aria and accompagnato to bring out the psychological intensity of the characters. But he is no Ponnelle clone. There was no excess posturing or production cliché, and the drop-cloths were part of the dramatic machinery, not a staging convenience. The production was well matched to the intimate proportions of the theatre, and is a well-deserved feather in the cap of the Opéra de Lausanne.

Andrew Clark

INTERNATIONAL ARTS PREVIEW & EXHIBITIONS

Glyndebourne Festival Opera opens its 1991 season on Tuesday, with performances of six Mozart operas spread over the next three months.

The opening night sees a revival of Peter Hall's 1989 production of Le nozze di Figaro, with Andrew Davis conducting the Orchestra of the Age of Enlightenment.

Davis also conducts Nicholas Hytner's new production of La clemenza di Tito (June 26), with a cast led by Philip Langridge, Diana Montague and Ashley Putnam.

The second new production is Cosi fan tutte (next Fri), reuniting Simon Rattle and Trevor Nunn in a partnership that began with Porgy and Bess in 1986. The cast will include Amanda Roocroft as Fiordiligi and Claudio Desderi as Don Alfonso. Idomeneo, another Trevor Nunn production (June 10), returns with Keith Lewis in the title role and Carol Vaness as Electra.

Peter Sellars' staging of Die Zauberflöte, which caused an outcry last year because of its contemporary setting and exclusion of dialogue, is to be revived in a new English translation and with an element of dialogue included (July 13).

Finally, Donald Runnicles makes his British operatic debut conducting Don Giovanni (July 28), with Olaf Bär in the title role.

The Drottningholm Court Theatre in Sweden also opens its doors to a new season this month. This year's repertoire includes the first performance in modern times of Haefner's Electra (May 27) and Michael Hampe's production of Idomeneo (June 20) conducted by Arnold Oestman.

There is a rich crop of new productions in the main European centres in the coming week. Harry Kupfer's staging of Carmen opens tonight at the Komische Oper, Berlin. The Bavarian State Opera in Munich has Johannes Schaaf's production of Boris Godunov (Mon) with Paata Burchuladze in the title role. At the Chatelet in Paris, Die Entführung aus dem Serail opens a Mozart cycle to be conducted by John Eliot Gardiner (Thurs); and next Friday Götz Friedrich's staging of Samson et Dalila opens at the Bastille.

The English National Opera tonight gives the world premiere of Timon of Athens, in which Shakespeare's little-known play is given a contemporary edge by the British composer Stephen Oliver (b1950). Also in London, Eugene O'Neill's play Long Day's Journey into Night opens at the National Theatre on Tuesday, directed by Howard Davies, with a cast including Prunella Scales and Timothy West.

EXHIBITIONS GUIDE

AMSTERDAM

Rijksmuseum A Century Apart: 19th century Dutch and French paintings from the museum's own collection. Ends June 30. Also Chinese Painting: scroll paintings and album leaves on paper and silk from 16th to 19th century. Ends June 20. Closed Mon

Stedelijk Museum Prints by Charles Meryon (1812-1868), ranked with Piranesi as the greatest of architectural etchers. Ends Aug 4. Daily

BARCELONA

Fundacio Joan Miro Sergi Aguilar: sculptures and drawings 1969-91, by an artist often identified with Minimalism. Also Lee Miller: 96 images by the early 20th century American photographer. Ends June 16. Closed Mon

BASLE

Kunstmuseum The Amerbach Cabinet: rich legacy of renaissance art collected by the 16th century Basle patron of the arts Basilius Amerbach. Ends July 21. Closed Tues

BERLIN

Museum für Moderne Kunst Metropolis: a foretaste of artistic trends of the 1990s, with 200 works by artists from 20 countries. Ends July 21. Also Berlin: Today and Tomorrow, plans for Berlin's future by 17 prominent architects. Also Photographs by Marta Astfalck-Vietz (b1901), with examples of her experimental work from the period 1922-35. Ends July 28. Closed Mon

CHICAGO

Art Institute English and French Printed Textiles: 100 examples mainly from the 18th and 19th centuries, representing techniques such as engraved copperplate and engraved roller printing. Ends Sep 3. Daily

DRESDEN

Zwinger Rosenthal porcelain: a collection of work by one of the leading early 20th century German porcelain manufacturers, tracing developments in design from Jugendstil to the 1940s. Ends June 16. Closed Fri

FRANKFURT

Judisches Museum Paintings by Friedl Dicker Brandeis (1898-1944), Jewish artist killed in Nazi concentration camp. Ends July 28. Closed Mon

Schirn Kunsthalle From Lucas Cranach to Caspar David Friedrich: 52 paintings by German artists from 16th to 19th century, on loan from the Leningrad Ermitage. Ends June 9. Daily

LONDON

Barbican Canadian landscape paintings 1896-1939. Also Contemporary Art from Canada, focusing mainly on city and suburban images. Ends June 16. Daily

National Theatre Frank Lloyd Wright: 150 high quality prints from the 20,000 original drawings housed in the Frank Lloyd Wright Archives in Arizona. Ends June 22. Daily

MADRID

Fundacion Juan March Maria Helena Vieira da Silva: 64 abstract paintings by the Portuguese artist (b1908), distinctive for her prismatic effects. Ends July 7. Daily

MANCHESTER

City Art Gallery Corot: some 40 works from public and private collections in Europe. Ends June 30. Daily

Whitworth Art Gallery William Coldstream: first retrospective since 1962, with some 50 paintings by the influential 20th century British figurative painter. Ends June 22. Closed Sun

MUNICH

Kunsthalle der Hypo-Kulturstiftung Marc Chagall: 111 paintings and four wall tapestries from American and European collections, with examples from all periods in the artist's life. Ends June 30. Daily

Lenbachhaus Nikolaus Lang (b1941): collages using natural materials from Australia, on the theme of the contrast between the white colonial heritage and the Aborigines. Ends June 16. Also Expressionist Greetings: 173 postcard originals by members of the Brucke and Blaue Reiter. Ends July 7. Closed Mon

NAPLES

San Domenico Maggiore Choir-book manuscripts 1400-1600: a collection of page leaves, including many unpublished masterpieces, showing how the art of book decoration flourished despite the emergence of the printing press. Ends June 23. Daily

NEW YORK

Metropolitan Museum of Art The Sculpture of Indonesia: ancient Hindu sculpture, delicate gold figures and a life-size stone Buddha. Ends Aug 18. Also Eugene Delacroix. Ends June 16. Closed Mon

Museum of Modern Art Seven Master Printmakers: Innovations of the 1980s, with 55 works showing how David Hockney, Jasper Johns, Robert Rauschenberg and others redefined possibilities for the print medium. Ends Aug 13. Closed Wed

PARIS

Centre Georges Pompidou Andre Breton (1896-1966): wide-ranging exhibition recreating the aesthetic world of one of the leading theorists of Surrealism. Ends Aug 26. Closed Tues

Galérie Daniel Malingue Moise Kisling: retrospective of the Polish-born member of the cosmopolitan Ecole de Paris. Ends July 14. Closed Sun

Grand Palais From Corot to the Impressionists: Manet's Dejeuner sur l'Herbe is the highlight of this exhibition in homage to Etienne Moreau-Nelaton, who persuaded the Louvre early this century to accept the Impressionists, together with Corot and Delacroix. Ends July 22. Also Georges Seurat retrospective. Ends Aug 12. Closed Tues

Musée Rodin Camille Claudel: 100 works by Rodin's disciple and tragic lover. Ends June 20. Closed Mon

Louvre, Pavillon de Flore Spanish Drawings: Masters of the 16th and 17th centuries, with 137 works from the Louvre and Spanish museums. Ends July 22. Closed Tues

Louvre (entry through the Pyramid) Treasures of Saint-Denis. Ends June 17. Closed Tues

PRAGUE

Convent of St George Ancient Chinese Art from the National Gallery collection. Ends Sep 15. Closed Mon

STUTTGART

Staatsgalerie Max Ernst: centenary retrospective of the German-born Surrealist, with 200 works from worldwide collections. Ends Aug 4. Closed Mon

VENICE

Fondazione Cini Michelangelo and the Sistine Chapel: photographic and scientific documentation of the restoration, prints by artists inspired by the frescoes and a group of original preparatory drawings by Michelangelo. Ends July 28. Closed Mon

Palazzo Grassi The Celts: the evolution of the Celtic people from 6th century BC to the dawn of the Middle Ages. Ends Dec 8. Daily

VIENNA

Albertina Dutch drawings from the Abrams collection: some 100 drawings, mainly from the early 17th century, including works by Rembrandt and his school. Ends June 30. Daily except May 19 and 30

Kunstforum Länderbank Oskar Kokoschka: 90 paintings from worldwide collections, tracing all phases of his artistic development. Ends June 23. Daily

Museum of the 20th century Image-Light: developments in non-material forms of painting, such as those consisting only of light and pure colour, and how historical methods and materials have given way to new, stronger means with a more physical character. Ends July 7. Closed Wed

WASHINGTON

National Gallery Robert Rauschenberg (b1925): multi-media exhibition featuring 150 examples of the influential American artist's recent work, much of it inspired by travels in Latin America and Asia. Ends Sep 2. Ends June 16. Daily

FINANCIAL TIMES

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Farewell, Mr Pöhl

KARL OTTO Pöhl has been the very model of a modern central banker: able and urbane, international in outlook and hostile to inflation by conviction, he has done one of the world's most important jobs and has done it well. He will be missed.

Nevertheless, even he is not irreplaceable. As president of the Bundesbank he is first among equals. The institution that he heads, one of the outstanding successes of the post-war world, will continue to pursue its historic mission. It must do so, because successful control over inflation remains vital not merely to Germany, but to a wider world.

As Chancellor Helmut Schmidt's "sherpa" to the London summit of Group of Seven industrial countries in 1977, Mr Pöhl was responsible for inserting into the final communiqué a famous phrase: "inflation does not reduce unemployment. On the contrary, it is one of its major causes." Under his presidency, the Bundesbank has lived according to that motto. Since 1980 German consumer prices have risen at a compound annual rate of around 2½ per cent; since 1985, however, the rate has been less than 1¼ per cent.

This achievement is the basis of the Bundesbank's influence. It is a reflection of its independence, but also of German history. It is not clear whether it can be translated on to the wider European stage in an economic and monetary union. What is certain is that the chance to do so arises only because of the anchor role played by the Bundesbank within the European Monetary System. This is somewhat paradoxical, since the Bundesbank disliked the establishment of the EMS, has fretted against its constraints and has repeatedly insisted that monetary policy must be framed with domestic monetary objectives in mind.

Unpopular independence

Mr Pöhl has said that his stewardship at the Bundesbank has taught him above all that independence can bring unpopularity. A thin-skinned man, he does not enjoy conflict, but it is inevitable. In recent stirring times such conflict has been considerable. The Bundesbank has lost some battles and won others. But nobody can doubt the importance of its contributions to the debate.

Mr Pöhl himself would not deny that some decisions are far too important even for independent central bankers. Nevertheless, he was hurt when Mr Helmut Kohl announced German monetary union without consulting him and against his known opposition.

Unification has brought with it yet another annoyance: the prospective expansion of the Bundesbank council. To be first among 18 equals is bad enough; to be first among 23 verges on the intolerable.

Essential institution

For all the difficulties, both internal and external, the Bundesbank remains both essential and influential. Mr Pöhl played a decisive part on the international stage once again, when resisting ill-conceived American pressure for lower interest rates at the latest meeting of the G7. He has played a still more important part in bringing European politicians back to earth on Emu.

Like German monetary union, Emu is a political decision. Mr Pöhl accepts this, even if he sometimes wonders whether the German people have fully understood its implications. But it is a political decision that will work only if implemented in an economically sensible way. By raising the desirability of a two-speed move to Emu, by insisting on convergence of inflationary performance, by rejecting outright the premature creation of a European monetary institution that might prejudice the Bundesbank's own role in European monetary affairs and by insisting that any replacement must match the Bundesbank in independence and commitment to low inflation, Mr Pöhl has immeasurably improved the quality of the debate and increased the chances of a fruitful outcome.

For that, as for the Bundesbank's continued determination to secure monetary stability in Germany, the world owes Mr Pöhl a great debt. His successor has a strong tradition to build on, so strong, in fact, that there is every reason to expect that he will match his predecessor in upholding it.

Fiddling while the jobs go

AN ECONOMIC, as well as a human, calamity is occurring in the British labour market. Yesterday's unemployment figures provide further evidence of its scale. The rise in unemployment may well rival that of the last recession, and from a higher base. But unlike 10 years ago, it is a calamity that was both entirely predictable and almost entirely avoidable.

It is now too late to save the 500,000-plus jobs that have been lost since March of last year. More than one in 10 men in Britain are now out of work. It is also probably too late to prevent unemployment topping 3m in 1992.

These figures should inspire more than regret in the minds of ministers. They should stop considering a temporary work scheme and begin the time-consuming task of putting one in place. The scheme should provide an alternative to retraining or inactivity, at a realistic wage, to ensure that the unemployed are ready, able and willing to take new employment when the economy recovers. Paying the unemployed to do nothing is wasteful. Paying them to wait while the government decides to institute a temporary work scheme is absurd.

While desirable, such a scheme would be no more than a palliative. A cure will only be forthcoming when fundamental changes are made to the UK's system of wage-bargaining. British industry cannot afford to postpone this change now that sterling is tied to the D-Mark in the European exchange rate mechanism.

Changing rules

The rules of the economic game have changed. But ERM membership, alone, has not provoked the necessary transformation in the collective psyche of Britain's wage-bargainers. Britain's unit labour costs have grown by 23.5 per cent since 1985 compared to 10 per cent in Germany. With a sterling depreciation presumably ruled out, wage settlements must fall to avoid a further erosion of competitiveness.

Yet the British wage bargainers remain locked in a pre-ERM time warp. Six months after joining, the average level of pay settlements is still well above the headline inflation rate. As a result, Britain's unit labour costs continue to outstrip those of its competitors. The economy is paying the price in terms of rising unemployment, but also of lost potential capacity. Last quarter the capital spending of manufacturing industry was 19.7 per cent down on the previous year.

Pay deals

Why are employers agreeing to settlements that inevitably bite into their profits? One reason is that they dare not unilaterally undercut their competitors for fear of losing skilled employees or damaging the morale of their workforces. Troubled companies might take these risks, as Rolls Royce is now doing. Most companies prefer cutting employment and investment to risking going it alone.

The average level of settlements that emerges is unsustainable. A co-ordinated shift to forward-looking pay-bargaining would reduce this average, while retaining local flexibility, jobs and competitiveness.

But such a shift can only occur if co-ordinated across all employers. The Confederation of British Industry was, and remains, the most obvious candidate to play this role. It has refused to take up the challenge. Indeed it has refused even to recognise that there exists a going rate of wage settlements which needs to fall.

In fact, the CBI has been scoring "inflationary own goals" every month. By regularly publishing the average level of pay settlements it further entrenches the current going rate.

That Britain's anachronistic method of wage bargaining is requiring unemployment to rise above 3m in order to reduce wage inflation to a sustainable level is madness. Despite the CBI's claims to the contrary, there is method in this madness. The problem is that the method is wrong and should be changed. A higher degree of co-ordination in pay-bargaining is the only solution that does not require unacceptably high unemployment. Puzzlingly, employers appear unwilling to force the CBI to take the lead. If it does not, who will?

FT writers look at a row over Japan's lead in semiconductor making

The circuit breakers

By Michael Skapinker, Louise Kehoe, Robert Thomson and John Ridding

American Senator Lloyd Bentsen last week lobbed a rhetorical tear gas canister into the room where US and Japanese negotiators are close to reaching a new semiconductor trade agreement.

The agreement, which could be concluded this weekend, will ensure better access to the Japanese market for foreign semiconductor makers and prevent the dumping of chips in the US. American companies claim that Japanese domination of the world chip market was accomplished by illegal dumping during the 1980s.

Senator Bentsen, chairman of the Senate finance committee, has now opened a new front in the battle between the two countries, claiming that Japanese companies deprive US chip makers of the advanced equipment they need to make their semiconductors. The Electronic Industries Association of Japan has dismissed the Texas Democrat's claims as ridiculous.

The new allegations are unlikely to prevent the signing of the semiconductor trade pact. The continuing disagreement, however, reflects American frustration at Japan's overwhelming dominance of two closely related industries invented in the US: semiconductors and the machines on which they are made.

Semiconductor manufacturers in the US, Europe and South Korea give some support to Senator Bentsen's allegations. Several chip makers say they have had difficulty buying the latest production equipment from Japanese manufacturers and that semiconductor companies in Japan appear to receive preferential treatment.

Fewer executives are prepared to say that the withholding of production equipment is the result of a conspiracy. Several see it as the unfortunate but inevitable consequence of Japan's domination of the market for chip-making tools.

The machines to carry out such tasks as etching densely packed circuits on to silicon wafers, cutting them into chips, packaging and testing them, are complex and expensive. A piece of manufacturing equipment usually sells for $1m or more. To develop the machinery, equipment manufacturers have to work closely with their customers – often based nearby.

Critics of Senator Bentsen's view add that western companies are in no position to object. Chip makers in the US and Europe admit they favour local semiconductor manufacturing equipment companies when they can. And government-supported programmes in both the US and Europe are trying to emulate the Japanese practice of establishing close ties between makers of manufacturing equipment and chip companies.

In 1980, the chip manufacturing equipment industry was an American preserve. US manufacturers occupied the first nine places in the world top 10. In 1989, Japan replaced the US as the world's leading supplier of semiconductor equipment and materials for the first time. Last year, the top two slots were occupied by Japanese companies – Tokyo Electron and Nikon.

Japan's domination of the equipment industry is linked to the powerful position it has established in the sale of the chips made on the machines.

In the mid-1970s, Japan's Ministry of International Trade and Industry (Miti) identified semiconductors as a sector crucial to industrial success. Miti backed the very large-scale integration (VLSI) project which ran for three years and assisted companies in the development of advanced equipment for semiconductor production.

Aided by what the west regards as proven dumping of memory chips in the US and Europe, Japan established a leading position in both the semiconductor and manufacturing equipment sectors.

This dual domination is difficult to break. Chip companies need access to the latest production equipment if they are to produce semiconductors that can compete with the world's best. Equipment manufacturers need to work closely with chip companies to ensure that their machines meet users' needs.

Some of the most successful US chip makers say they have little difficulty buying advanced manufacturing equipment from the Japanese. Mr Craig Barrett, executive vice president of Intel, the world's leading manufacturer of microprocessors, the "brains" of computers, says his company has strong links with Nikon and other Japanese equipment producers. "We get good service and reasonable access to their latest technology," he says.

"Some of the smaller Japanese equipment makers are reluctant to ship to the US because they do not have service representatives here, or because they are not sure whether their products comply with US safety regulations," Mr Barrett says. He adds, however, that Intel can generally get the equipment it wants by using its market clout.

Others have greater difficulty. Non-Japanese companies appear to have particular trouble getting the most modern machines for etching circuits onto wafers.

Advanced Micro Devices, a US chip maker, said it had been unable to buy etching equipment from a Japanese supplier. AMD said the company claimed it did not have support personnel in the US or English translations of service manuals. These reasons appear legitimate, but AMD said it believed Japanese chip makers with US factories were using the same equipment.

A senior executive with one of the leading Korean semiconductor companies says he has had trouble buying similar machinery. "In the case of the most advanced etching machines, Japanese companies say they can't yet sell the equipment to us because it is not properly tested yet. But they are already selling to domestic companies, so we don't understand this," he says.

Mr Laurent Bosson, manufacturing director of SGS-Thomson, the Italian-French chip maker, says his company attempted to buy highly-automated cleaning and chemical etching equipment from Dainippon Screen, a Kyoto-based precision machinery maker last February. He says the Japanese company refused. "They said it's very robotised and you in Europe won't be able to use it," Mr Bosson says. Dainippon concedes that it declined to sell equipment to SGS-Thomson, but says this was because it could not meet the European company's specifications.

In their defence, Japanese equipment companies say there are serious communication problems with some foreign companies and that Japanese chip makers take a more active interest than foreign companies in the design of new technology. Dainippon's general affairs manager, Mr Tsutomu Hasegawa, says Japanese customers want extensive negotiations on price, shipment size and specifications before placing an order, whereas some foreign chip makers will simply consult a brochure and place an order.

Some leading Japanese makers are members of corporate families known as *keiretsu*, and company officials admit that these complex cross-holding networks give the impression of collusion. Nikon is part of the Mitsubishi group, while Advantest, the world leader in semiconductor testing devices, is affiliated with the Fujitsu computer group. Officials say companies in the family will have first access to equipment because they are often involved in development projects.

Mr William Reed, president of Semiconductor Equipment and Materials International (Semi), whose members include equipment manufacturers worldwide, says that these Japanese practices do not mean there is a conspiracy.

In a recent letter to Senator Bentsen, he said: "I find it plausible that in some cases suppliers will work more closely with their local customers in the development stages of their equipment. This practice is understandable, given proximity, cultural similarities and traditional customer/vendor relationships. However, this practice is not uniquely Japanese. An increasing number of US equipment suppliers are working closely with their American customers in an effort to design user-friendly equipment."

Sematech, a US development consortium that aims to revive American equipment manufacturing, refuses to admit foreign companies. The Joint European Submicron Silicon (Jessi) initiative, which supports Europe's chip effort, has allowed IBM of the US of participate in two projects. But ICL, the UK computer manufacturer, was expelled from three out of five Jessi projects in which it was participating because it is now owned by Fujitsu of Japan.

SGS-Thomson, a leading member of Jessi, is sympathetic to Senator Bentsen's views. At the same time, it says Japanese manufacturers are better than US companies at upgrading and servicing the machines they sell. Critics of the US industry say that developing closer ties with customers might be more profitable than smoking out conspirators.

TOP TEN SEMICONDUCTOR EQUIPMENT MANUFACTURERS

1980 sales		US$m	1990 sales*		US$m
Perkin-Elmer	US	150.7	Tokyo Electron	Japan	755
GCA	US	116.0	Nikon	Japan	690
Applied Materials	US	115.2	Applied Materials	US	572
Fairchild Test Systems	US	105.2	Advantest	Japan	423
Varian	US	89.9	Canon	Japan	421
Teradyne	US	82.5	Hitachi	Japan	394
Eaton	US	78.9	General Signal	US	266
General Signal	US	57.0	Varian	US	255
Kulicke & Soffa	US	46.8	Teradyne	US	215
Takeda Riken	Japan	46.0	Silicon Valley Group	US	204

Source: VLSI Research * Estimated

A kind of normality

Lara Marlowe, recently in Iraq, on conditions after the Gulf war

Baghdad was not, as some would have it, bombed back into the Stone Age by allied air raids in the Gulf war. Petrol rationing has been lifted and the streets are clogged with traffic.

The citizens of Baghdad, a quarter of the Iraqi population, now enjoy almost normal electricity and water supplies. President Saddam Hussein is weakened but still in power. Apart from the destruction of two bridges and of government buildings, there is very little structural damage in the Iraqi capital, in marked contrast to the devastation visited by Iraq on Kuwait's oilfields and infrastructure.

Food is available. Since the international embargo on foodstuffs was lifted in April, about 300 truckloads of food a day have crossed the Jordanian border, bartered for Iraqi oil which leaves the country by the same route.

But the food is expensive and inflation is rampant. Iraq's central bank is printing millions of banknotes which look and feel like cheap colour photocopies. A loaf of bread costs 35 times the pre-war price. Trafficking in foreign currency is widespread, although the offence carries a penalty of up to 16 years' imprisonment.

Baghdad, furthermore, appears to be a privileged city which is given priority when it comes to the distribution of scarce resources. Southern cities, where Shia Moslem rebels rose up against the government in March, have been laid waste by the Iraqi army.

The rebels behaved with a barbarity learned from their own rulers. In Kerbala, dozens of government officials were hung from chandelier hooks in an ante-room of the Imam Abbas mosque and from lampposts outside the mosque of Hussein.

Soldiers who entered Najaf found piles of severed heads in the library next to the mosque of Imam Ali. "Death to Saddam Hussein" was written in blood on the library wall. The government responded with its customary savagery.

In Basra recently, several hundred women dressed in traditional black waited outside the main prison, raising crossed wrists to reporters in a gesture to convey the detention of their menfolk. The government has forbidden Shias from displaying traditional signs of mourning – black flags and paper streamers printed with the names of the dead – because it would enable visitors to count the numbers of Shia "martyrs".

President Saddam is trying to claw his way back to a secure position as unquestioned leader of Iraq. His security services are astute enough to know just how unpopular the Kuwait débâcle was among Iraqis.

The regime is using both carrot and stick, attempting to improve living conditions while hunting down and arresting its opponents.

A newly-revived draft constitution drawn up in July 1990, a few days before the invasion of Kuwait, promises free parliamentary elections, freedom of speech and equality for all Iraqis. A clause which would have made Mr Saddam president for life has been scrapped.

Mr Saddam himself has maintained a relatively low profile since the end of the war. His few public appearances, accompanied by the cheers of real or coerced supporters, have been televised repeatedly to impress upon the people of Iraq that their president still has a following.

Baath party officials hint darkly of purges to come. "The president has complained about high-level party people who didn't behave firmly at the time (of the uprising)," says Mr Hamid Said, a member of the party for 30 years and editor of the Baathist al-Thawra newspaper. "If there is such a trial, it must be postponed while foreign forces are in our country. Then if we have questions for these people, we can question them in normal conditions."

Since the revolt most provincial governors have been replaced or transferred. Criticism of the Iraqi invasion of Kuwait, however, is not taboo. Indeed it is surprisingly common among government officials. Asked whether he would turn the clock back to August 1 and stop the invasion if he could, Mr Said said: "Obviously. For sure. I wish we had not done it."

But it is still not permitted to criticise the eight-year war against Iran. The new draft constitution specifies that any presidential candidate "must have made efforts in the Iran-Iraq war for the good of Iraq... He must believe the Iran-Iraq war reinforced the glory of the Iraqi and Arab nations and was the only way to guarantee the integrity of Iraq and the safety of its sacred places."

For the time being, Mr Saddam and his acolytes seem happy to negotiate with the Kurds in the north and occupy the rebellious Shia Moslem towns of the south, while blaming Iraq's problems on "saboteurs" from neighbouring countries or on the "American aggression".

On the vast plains of southern Iraq, miles of earth fortifications erected in a vain attempt to ward off the allied armies lie abandoned. The anti-tank berms have been worn down by the wind and grass grows in the trenches.

The soldiers who once occupied them are in Iraq's southern cities. Foreign adventures have been put aside once more, and the troops transformed again into the instruments of Mr Saddam's rule at home.

OBSERVER

Hands-off Hanson

ICI executives looking at each other with a wild surmise may find interest in the following quotation. It comes from The Doing of Managing, just published by Blackwell, and the speaker is Hanson's Martin Taylor:

"We believe in full delegation of authority to the management team running the business... We want them, therefore, to build confidence in their ability to solve their own problems without referring and deferring to us, because to do so would be, as it were, to allow us to make the mistakes for them without them having to feel responsible for the future success of their business.

"We're heavily involved in a financial control sense with what they're at. We're concerned with motivation and incentives. We're concerned with the selection of successor management. We don't insist that they trade with one another. They don't meet one another.

"We may move people about from time to time from business to business if they have financial skills. But rarely do we move a General Manager from one business to another.

"They are looked upon as having the task of performing better with the capital that they presently employ, coming to us to justify new capital that they might wish to invest in their businesses. They have no right to invest their capital in their business without our say-so, down to very small amounts, £500 in the UK, $1,000 in the United States...."

Lest those figures cause sinking feelings, the book – by Iain Mangham and Annie Pye of Bath University – notes that the cited investment limits, current in late 1987, have since been raised. To what, seems an impenetrable mystery.

Admittedly, while Taylor's words perhaps answer some how questions, they don't tell why. But there, too, the book may offer help. It also quotes the American academic Karl Weik's dictum: "Organizations act in order to discover what they are doing".

Taboo

■ Meanwhile ICI chairman Sir Denys Henderson found himself booked to speak at a City lunch hosted by Lord Hanson's stockbrokers Smith New Court.

Ever the gentleman, the brokers' chairman Sir Michael Richardson offered Henderson the chance to cancel, but the Aberdonian stood firm. The lunch went ahead with one simple rule: the noble lord must not be mentioned.

Flying low

■ Even so, there are some happy executive faces around. They're to be seen at the headquarters of German airline Lufthansa despite the doleful figures it is producing in common with the rest of its trade.

What is making them smile is the choice of Jürgen Weber, an unassuming former flight engineer, as chief executive from December. news of the change has uncorked a bottled-up store of resentment at the autocratic ways of the outgoing Heinz Ruhnau.

There is a certain dash about Napoleonic rhetoric and ambitions when the going is good; when it turns bad, harmony and teamwork are more the ticket. Ruhnau has been preoccupied with politicking against the equally expansionist British Airways and its interest in the East German Interflug, and the many feuds inside Lufthansa have tended to fester.

Weber has signalled a

"There must be more to life than keeping Lord Hanson's seat warm."

radically new approach. He recently admitted that it could by no means be taken for granted that Lufthansa would still be one of the major players at the turn of the century. It is a downbeat kind of rallying cry, but let's hope it works.

Nitty gritty

■ Hamish Buchan, investment trust boss at County NatWest WoodMac, has recession to thank for the thoroughness of his new study of Britain's 30-plus investment trusts specialising in venture capital. Three years ago, with the venture capital industry riding high, he'd have been hard-pressed to winkle out so many details about its workings.

But with institutional investors pressing for improved performance and so on, most venture capitalists were only too willing to help. Only one trust, Thompson Clive Investments, refused. But even it has apparently agreed to co-operate in future.

While not actually secret, the details of the venture capitalists' self-revelations are the sort of data many would prefer not to be widely known.

For example, the survey's break-down of fees, costs and management incentives reveals management fees – long a source of concern to institutional investors – ranging from 0.3 to 6.7 per cent of net assets and incentive packages ranging from nothing to a 20 per cent share stake. Not that low fees and an lack of incentives are necessarily best for investors in the long run, Buchan points out.

Even so, venture capitalists anxious about parting with such data can take comfort in the survey's price of £2,500. That should ensure it reaches only a limited and presumably sophisticated market.

Free choice

■ Dr Robert Anderson's appointment as director of the British Museum is good news for visitors but not, perhaps, for the Treasury. Like his predecessor, Sir David Wilson, he is determined to let the public in free, and he is an expert at gouging money out of Whitehall. He prised £20m out of the government for an extension to the National Museums of Scotland, where he is currently director.

A distinguished historian of science, he has every quality to delight traditionalists (apart from a tendency to let his shirt tails hang out). But his Edinburgh neighbour, ebullient Timothy Clifford of the National Gallery of Scotland, will not be quite so pleased. He would have loved to return to the BM.

Chaser

■ A white horse gallops into a pub and orders a lager. "Sure you don't want a whisky?," asks the barman. "We have one named after you."

"What – 'Eric'?," says the horse.

Tougher steps still to come

Andrew Adonis examines the far-reaching management changes in Britain's Civil Service

"What we are seeing ... is ... nothing less than a revolution in management in the Civil Service," said Mr John Major last month. Mandarins are less given to hype than prime ministers, but even they now claim as much.

Yesterday's report by Sir Angus Fraser, head of the prime minister's efficiency unit, on the new executive agencies into which large chunks of the Civil Service are being transferred raises fundamental questions.* These concern not only the Civil Service but government as a whole.

The so-called Next Steps project originates from a 1988 report by Sir Robin Ibbs, then efficiency adviser to Mrs Margaret Thatcher. Under Mr Peter Kemp, the project's ebullient director, the scope and speed of change has been dramatic. The first agency, the vehicle inspectorate, was launched in August 1988. By the end of last month, another 48 had been set up, embracing a third of the entire Civil Service. Mr Kemp's target is to have 75 per cent of the service in agencies by the mid-1990s.

Some departments have virtually vanished in the process. In the past six weeks alone Mr Tony Newton has shed 75,000 social security staff to agencies, and is left with a rump of 1,200. Of the leading departments, only the Foreign Office has no agencies, nor (apparently) any planned.

The Next Steps philosophy is simple: to separate the delivery of government services from policy-making; to give responsibility for the first to agencies run by chief executives accountable to ministers (and through them to Parliament); and to give executives broad managerial discretion to run their concerns.

"Agencies are not only about improving services," says Mr Kemp, "they are about delivering what you have promised." The "promises" take the form of framework documents agreed between chief executives and their departments, renegotiated every three years. They amount to contracts: service targets are set, powers devolved, and chief executives stand to lose modest performance bonuses if they are not achieved. The Employment Service, for example, will fall short of its target for placing unemployed people this year; Mr Mike Fogden, its chief executive, will be worse off as a result.

Agencies are still at an early stage in their evolution. Five key areas are emerging in the debate on their future:

● **objectives and targets.** It has not proved easy to establish public sector targets. Some have proved simply unattainable; others too weak or too complicated (the Northern Ireland Training Agency has 30 separate targets, with no priorities between them). Sir Angus recommends that each agency be given "a handful of robust and meaningful top level output targets". And Mr Kemp wants this to go hand-in-hand with "more downside risk" for chief executives, to expose them more closely to private sector pressures.

But if chief executives are to face the "downside", they want greater control over their own destinies. At present their discretion – over budgeting, recruitment and trading – is tightly constrained. The Next Steps team proudly markets its "40 flexibilities" on pay, allowances and personnel management; yet most are closely circumscribed.

"There is a crucial difference between sensible monitoring and fishing expeditions," says Mr Kemp. In his most forthright recommendation, Sir Angus wants simply to break officialdom's rods: he proposes a 25 per cent reduction in personnel and finance divisions of departments as "a relatively modest target". He is adamant about the need for greater autonomy. "Within the overall disciplines of cash limits," he recommends, "managers [should be] free to make their own decisions on the management of staff and resources."

Sir Angus is also keen to see greater competition for the top jobs. "Outsiders help to shake up the succession process in the Civil Service," says Mr Kemp. But at present only 14 of the 50 chief executives come from outside the Civil Service. In future? Rumour has it that one chief executive is unlikely to have his contract renewed; another may be soon be awarded a six-figure salary.

● **privatisation.** Ministers are not oblivious to the fact that several agencies – HMSO, the land registry, the patent office, the vehicle inspectorate and the vehicle and licensing centre among them – draw most of their income from non-exchequer sources, and might be suitable for full privatisation. Watch the next Tory manifesto.

● **unity of the service.** Sir Angus raises, only to dismiss, the question of whether there will eventually be "a Civil Service which is still a recognisable entity". Yet if recruitment, pay and conditions cease to be centrally determined, it is a fair question. This aspect raises most concern among civil servants themselves. The First Division Association of senior civil servants has given broad backing to Next Steps. "But the free movement of executive and managerial staff between departments and agencies must not be impeded," says Mr Jonathan Baume, the FDA's assistant general secretary.

● **accountability.** Agencies – particularly those in sensitive areas such as benefits – may soon find themselves, like NHS managers, uncomfortably exposed to the consequences of unpopular policies. This makes the stock formula that chief executives are accountable to their departments, and only through them to Parliament, somewhat unsatisfactory. Chief executives appear before select committees; they are also accounting officers for their agencies before the Public Accounts Committee. Notions of direct accountability to Parliament may not be long in coming.

● **service quality.** This is, perhaps, the central issue, with all the parties – not just Mr Major – set to put "citizens charters" and the like at the forefront of their future programmes.

Agencies are already taking a lead in setting service targets and guarantees. Their most important – and healthy – contribution is likely to be in shifting the debate away from the current obsession with "inputs", to the relationship between cash inputs and service outputs.

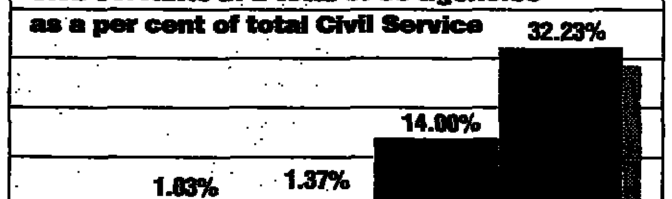
As such, they may help the politician in costing, making and delivering choices on behalf of the public. But they will never supplant him.

**Making the most of the Next Steps, report by the prime minister's efficiency unit, HMSO £5.*

TEN LARGEST CIVIL SERVICE AGENCIES

AGENCY	DEPARTMENT	NO. EMPLOYEES
Defence Research	Defence	11,700
Driver & Vehicle Licensing	Transport	5,450
Employment Service	Employment	35,600
HMSO	Lord Chancellor's	3,300
Information Technology Services	Social Security	3,350
Land Registry	Lord Chancellor's	10,400
RAF Maintenance	Defence	5,700
Social Security Benefits	Social Security	66,000
Social Security Contributions	Social Security	6,600
Customs & Excise	Treasury	26,800

Civil servants in a total of 50 agencies as a per cent of total Civil Service



Joe Rogaly

Only resting on the ropes

If all goes according to plan, which it never does, we should soon begin to see Mr John Major fight back. Fight back? It is hard to imagine. The prime minister frightens nobody. He is too nice, too personally engaging. Mr Neil Kinnock fights. The leader of the opposition has his blood up. He has been training in the gym, skipping rope, dancing round the ring, punching at shadows, for nearly eight years. He has fought and lost one bout – and that was against a world champion. He has nothing to think about apart from the big event to come.

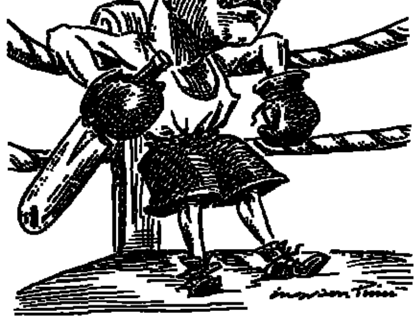
Mr Major has been trying to run the government, with a short intermission for a war and another to dump the poll tax, for less than eight months. He has sat out a sustained Labour election campaign that started as soon as decently possible after the cease-fire in the Gulf and looks set to continue without remission until the general election. He has been unable, or unwilling, to respond. We can guess why. There is no point in wasting political energy while the economic news continues to be nearly all bad.

It still is, as yesterday's unemployment figures confirm. Yet the expectation this morning is of a sharp fall in the headline rate of inflation. The mortgage rate is on its way down, although most people have yet to enjoy smaller monthly payments. Poll tax demands at £140-off if you vote Conservative are still coming through the letter boxes. Given a huge dollop of good luck the recession may show signs of bottoming out before the summer is over. The time for Mr Major to come out of his corner, fists up, is approaching.

He has a lot going for him. He is not obliged to call an election until he thinks he can win. He has no reason to panic and slash interest rates beyond another half a point or so; it might, indeed, be counter-productive if he did. He can choose to stay put in Downing Street for another year. Those who argue that he must face the electorate in October or November for fear of being boxed in during the last few months of the government's statutory term of office will meet the counter-argument that the public regards it as fair to give the new prime minister time in which to make his mark. How much time? Mr Major will comfort himself with an answer that suits him. The public will wait, he may tell his mirror, until his constitutional lease runs out in June 1992, or, better yet, until a favourable set of economic indicators and opinion polls assures him of victory.

Mr Kinnock is not waiting. He is already taunting the prime minister, accusing him of being afraid of the ballot box. Mr Major would be an easy target if he postponed the election for a year. For the moment, the prime minister will not be drawn. His strategy is clear. First, anticipate better economic news. Second, hit back at Labour. Third, produce some Conservative ideas. I say nothing about the first part, the Micawber element, of this strategy. We are all equally in the dark about the timing of the upturn.

Hitting back at Labour is easier said than done. Take the national health service. You may think, as I do, that the reforms introduced on April 1 amount to a sensible management re-organisation, bringing cost information and transparency of decision-making where previously there was chaos and chance. If so, we are in a minority. The Labour Party has created an impression that the new structure is either a prelude to privatisation, or a plot to impose a tier of second-rate service for ordinary people, or the introduction of the filthy profit motive into the sacred cathedral of health care.



The Conservatives' original intention was that very little would actually happen to the NHS this year, so that Labour would have nothing to attack. They blew it. They might have made a few telephone calls to the new managers urging them to lie low; if so this persuasion did not work. Some of the opted-out hospitals, including Guy's, announced staff reductions. That brought the issue to the forefront of debate. Mr Major may hope that the latest storm will subside, but Labour will not let it. The prime minister therefore has no option but to tackle the issue head-on. We must expect to see him try to win the argument, in which public emotions are paramount, by using his own voice allied to the anxious face of the health secretary, Mr William Waldegrave.

There are other lines of attack. The Tories will try to "estimate" the likely cost of Labour's voluminous programme of more things for government to do. But Labour is a slippery customer; as Mrs Margaret Beckett showed in the commons on Wednesday, it has spent a long while rehearsing the best way of presenting itself as fiscally prudent. Or consider another Tory hope – the inexperience of the Labour front bench. Mr Kinnock and his crew have hardly any past ministerial office to boast of. But against that Labour can play to the public's sense that after 12 or 13 years of Conservative government it is time for a change.

Again, the Tories will presumably attack the opposition as a potential destroyer of jobs in the defence industry, with the relevant constituencies put on the alert. Mr Kinnock's professionals have prepared themselves for that by trailing plans to move plants over to non-defence production. They would set up a "Defence Diversification Agency" which may be a planners' nonsense, but which could soothe defence workers threatened with loss of employment.

Mr Kinnock is, however, vulnerable on the economy, an area in which, in spite of everything, the Tories are seen by most respondents to questionnaires as the better choice. We must assume that before he decides on an election date Mr Major will have inflation and mortgage rates well down, and that there will be at least some signs that business is beginning to recover. If not, the government will be thrown out whatever it does.

Exposing Labour's shortcomings and sloughing off the curse of the recession are not, however, sufficient conditions for preventing the Conservatives from losing their overall majority. They must present a positive image backed by a manifesto that offers voters good reasons for giving them a fourth term in office. Here Mr Major's thinking is becoming apparent.

A series of summer policy pronouncements has been trailed. The citizen's charter, which is a form of consumer protection insurance for users of public services, has been promised its own white paper. Another paper, on a strategy for health, is due out soon. Proposals on employment and training should follow, or come out at about the same time. There should be something on education. A little palliative on housing, converting existing rents paid by poorer tenants into mortgage repayments, is now overdue. Measures to help the small saver and the private investor are in the pipeline. British Rail and the coal industry are being lined up for privatisation.

Privatisation and share ownership apart, the list could almost be an index of the recent series of papers issued with such professional panache by the Labour party. There is, however, an important difference. Mr Kinnock's policies all assume the beneficence of the guiding hand of government – although their inherent authoritarianism is mitigated by leanings towards constitutional reform. Mr Major's incipient proposals do nothing to reduce the suffocating power of the elective dictatorship, but they all decentralise management, enhance consumers' power and, as Tory central office might put it, take decisions away from officials and put them in the hands of individuals and families. If he can find a way of saying that with the forcefulness of his predecessor, but in his own soft-soaping style, he may yet outsmart Labour.

LETTERS

Dangers that lie in a Hanson bid for ICI

From Mr Keith Rowan.

Sir, I was disturbed to read the news of the Hanson stake in ICI, which could lead to a full bid in due course. ICI is one of Britain's relatively few companies which has the resources and commitment to develop new areas of business on a world scale (for example, its seed business) or to maintain world leadership (paints).

Hanson has certainly given its shareholders value for money and its approach has validity for mature businesses. However, its reputation for creating organic growth is not a good one, and I fear in this case could be extremely damaging to the UK chemical industry. It should be borne in mind that the UK chemical industry is one of only a few sectors which has achieved success over many decades with a positive balance of trade each year.

I do hope that the institutions and the government look at the potential consequences of such a takeover. I cannot believe that Germany would allow Bayer to be dismantled.

Keith Rowan,
23 St Annes Drive,
Bristol

Market forces should set east German wages

From Mr Thomas Mayer.

Sir, In "East German wage rises criticised" (May 13), you report that a recent academic study has concluded: (1) Higher wages in east Germany will cause more labour migration because of the resulting unemployment that will be deterred by the implied drop in east/west wage differentials; and (2) The German government should pay a subsidy of up to 75 per cent of an east German worker's wage, in order to boost employment.

In my view, both of these conclusions are wrong. The link between east German wages and migration is more complex than implied in the article. The reconstruction of the east German economy will require skilled workers and administrators – exactly the type of worker also in short supply in the west. Thus their pay has already lured many qualified east Germans to the west and this will continue as long as east German compensation remains uncompetitive.

However, the marginal, low-skill east German worker who becomes unemployed because of excessive wage hikes will find it difficult either to find a job in the west, or even to live there on unemployment compensation, because support payments are based on the previous east German (low) wage.

At first glance, wage subsidies appear capable of reducing the relative cost of labour, which is needed to boost east German employment. In the longer run, however, subsidies would induce enterprises to employ more workers per unit of capital than would be consistent with existing market wages and the prevailing return on capital. Thus, wage subsidies actually represent a costly solution, as they would have to be permanent to be effective.

Rather, the best medicine for the east German malady is rapid capital formation and a more market-based process for wage determination. Both aims can be realised only when management of the east German economy is transferred quickly from the government to the private sector.

Thomas Mayer,
vice-president, bond market research,
Salomon Brothers International,
Victoria Plaza,
111 Buckingham Palace Road
SW1

UK influencing EC insurance

From Mr M A Jones.

Sir, The assertion that the British are fighting a belated rearguard action in relation to the EC Insurance Accounts Directive (Lex, May 10) is without foundation.

The Association of British Insurers (ABI) has been in constant touch with developments over a number of years and particularly since the original proposal for a directive was published by the European Commission in 1987. As a result, the association has been instrumental in securing amendments to the draft directive on a number of important points of concern to UK insurers. We continue to encourage acceptable solutions to the few remaining outstanding issues.

With the support of the other EC insurance markets we have been pressing, for the last two years, for the directive to be amended to permit unrealised investment gains on non-life business to be taken through the profit and loss account. This is an issue which is currently under examination by the EC negotiators but we hope our arguments will prevail.

On the question of segmental reporting we, again with the support of the other EC insurance markets, have resisted attempts to increase to an unreasonable degree the level of disclosure required in the notes to the accounts of insurance companies. There is no reason why the disclosure requirements applicable to insurance companies should exceed those for other types of company.

Finally, we are giving our full support to the Commission's efforts to resist any last-minute lobbying to remove the requirement for compulsory disclosure of the market value of investments.

There is no reason to conclude that we will not be successful even though some member states are vigorously opposed. The latest version of the draft directive has retained the disclosure requirement.

M A Jones,
chief executive,
Association of British Insurers,
Aldermary House,
10-15 Queen Street, EC4

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Why contract caterers dislike LEA schools

From Mr Garry Hawkes.

Sir, Your article "Most tenders from councils won by their own workers" (May 13) fails to do justice to the statistics.

It is true, as you point out, that contract caterers have not been attracted to bid for school and social service contracts. They compare unfavourably with the performance of refuse collection contractors. The interesting issue is why there are these variations in response to tender invitations between different services.

Local education authority school catering contracts are very unattractive with their multiple, same-day contract starts spread over a large geographical area. The contract forms usually have features like a penalty clause, indicating that a hostile relationship is envisaged.

Gardner Merchant has concentrated its tendering expertise on grant-maintained school contracts. We have an almost 100 per cent response rate to tender invitations. Why is this?

Local management in the form of head teachers and governors in these schools are in charge of their affairs. They work as hard as the contractors to make the contract work well once the decision is made to contract out.

If the majority of secondary schools became grant maintained, tender catering responses will be transformed.

Garry Hawkes,
managing director,
Gardner Merchant,
Kenley House,
Kenley Lane,
Kenley, Surrey

London's Tube aggravates, too

From Mr John Byrnes.

Sir, I was intrigued by the space you devoted to Mr Samuel Brittan's difficulties in making one trip to Dieppe ("A long wait to journey's end", May 13). On this basis, you could provide a whole edition on his experiences of the London Tube system. But then perhaps Mr Brittan doesn't use the Tube? If so, could you persuade him to make the occasional sortie? He could then write about perpetually non-working escalators or the reduced Victoria Line service (apparently wheels wear out), or temporary station closures (volume variance), or the interruptions in service because of breakdowns of trains or signalling failures. He could propose competition by a privatised bus service, or roads, or even an additional Tube system. Such a piece would be of interest, too.

John Byrnes,
35 Crabtree Lane,
Harpenden, Herts

FINANCIAL TIMES
Friday May 17 1991

The Bundesbank's president steps down after 11 years of fighting for price stability

Pöhl: prudent pragmatist calls it a day

By Andrew Fisher in Frankfurt

ENOUGH is enough. Or at least 11 years is enough. That was the message conveyed yesterday by Mr Karl Otto Pöhl, 61, now well into his second eight-year term as president of the Bundesbank, Germany's central bank.

If he had served out the full 16 years, he would have been the longest serving president ever. But he had told friends and colleagues, he did not like the idea of doing the top job for as long as 16 years. "It would be very unusual and not good for the institution".

The tributes to Mr Pöhl rolled in after his decision to call it a day in October. Germany's top bankers and politicians praised his commitment to monetary stability, his efforts to promote European monetary union – along prudent German lines – and his international stature.

Since joining the Bundesbank in the late 1970s, Mr Pöhl has experienced his fair share of currency gyrations, crises, and controversy both at home and abroad.

He put himself in the firing line from Bonn almost as soon as he took over the top job in the central bank's forbidding headquarters in Frankfurt. The German economy took a turn for the worse in the early 1980s and Mr Pöhl and his colleagues took on the centre-left government of Chancellor Helmut Schmidt, who had appointed him, by raising interest rates in the face of high inflation and soaring current account deficits.

The conflict was an early test of the readiness of Mr Pöhl, a noted pragmatist, to stand firm in the interests of price stability. He won that fight, thus giving Mr Schmidt's already embattled administration a further powerful blow.

Then came a spectacular bank failure – that of Schröder, Münchmeyer, Hengst (SMH) – brought on by bad industrial loans. Mr Pöhl helped to fix up the rescue of the Hamburg private bank, which was carried out in such a way as to avoid panic in financial markets.

He played a key role in the Plaza and Louvre exchange rate accords of the 1980s.

But while the independent Bundesbank's stability-oriented stance is popular in Germany, where inflationary angst is embedded in the national consciousness, it does not always draw plaudits abroad.

The US was openly critical of the German central bank's interest rates rises in 1987 and the dispute was seen as one reason for the collapse of confidence that hit world stock markets that autumn.

More recently, the Bundesbank has again stood firm against US pressure for more relaxed policies to help spur growth.

He recalled the lessons of the 1970s, when Bonn reflated in response to US pressures. "An easing of monetary policies does not produce growth and jobs, it produces inflation so that the brakes have to be applied".

He applied the same credo to the process of European monetary union, where the Bundesbank has pressed hard for the acceptance of its own stability tenets.

KEY DATES AND EVENTS IN PÖHL'S BUNDESBANK CAREER	
1977	Appointed Bundesbank vice-president
1980	Becomes Bundesbank president
1980-82	Bundesbank tightens monetary policies sharply, leading to conflict with Chancellor Helmut Schmidt
1983	Failure of Schröder, Münchmeyer, Hengst (SMH), a private bank, later rescued by Lloyds Bank
1985	Plaza accord to drive down dollar
1987	Louvre accord to stabilise dollar. US disagrees with Bundesbank interest rate rises; public dispute cited as a reason for stock market crash
1987	Government announces withholding tax (later withdrawn) against Bundesbank advice
1990	Bundesbank reluctantly accepts political need for currency union with East Germany

Pöhl: experienced crises and controversy

Spain cuts interest rate to relief of Paris

By Peter Bruce in Madrid

THE BANK of Spain yesterday cut its official intervention rate by 75 basis points to 12.75 per cent in a move which will relieve pressure on the French franc and could open the way for a cut in French interest rates.

The Spanish cut is the second this year. On March 15, the bank cut the intervention rate by a full point to 13.5 per cent after a sharp drop in the inflation rate in February.

The bank said the latest cut had been made possible by signs that its broad money supply measure had grown just 8.1 per cent in April, after growth of some 16 per cent in the first quarter of the year.

Good April consumer price figures published earlier this week, holding annual inflation at 5.9 per cent for the third successive month, had also made yesterday's cut easier.

Spain has been under persistent pressure this year from the French finance minister, Mr Pierre Bérégovoy, to cut its interest rates and thus allow an easing of French monetary policy to help boost its flagging economy.

High real interest rates in Spain have held the peseta at the top of its 6 per cent European Monetary System fluctuation band against the franc all year.

This has made it difficult, the French have said, for them to cut the cost of borrowing without breaking limits set in the EMS exchange rate mechanism.

But with real rates in Spain remaining the highest in the EMS despite the cut, analysts did not expect the peseta to move much from its ERM ceiling.

That would reinforce growing suggestions in Spain that the government should consider realigning the currency upwards in the ERM.

Paris bankers yesterday said that the franc's exchange rate against the D-Mark posed a more real constraint than the peseta's strength.

"With intervention on the foreign exchange markets they have managed to maintain the franc/peseta gap at the permissible 6 per cent limit, but it is the D-Mark gap that is much more closely watched.

"The cut in Spanish rates is thus a necessary, but not sufficient condition for a cut in French rates," said one economist.

The Spanish have been loath to cut interest rates too rapidly as the Spanish economy, until yesterday's April money supply figures, had been showing strong signs of new growth this year after the lifting of a two-year credit squeeze. The Bank of Spain's move was probably ordered as a political weapon ahead of nationwide local elections on May 26.

Mr Mariano Rubio, the Central Bank governor, is understood to have offered to cut Spanish rates further at a meeting of European central bankers in Basle last week.

A cut in French rates was expected to follow almost immediately but the change of government in Paris this week may delay it briefly.

Spanish stock markets had already discounted the cut, and there was little reaction in share prices yesterday.

The government will now be hoping that Spanish commercial banks follow its lead.

After the last cut in the intervention rate, the rate at which the Central Bank auctions certificates of deposit, the banks responded by cutting rates on interest bearing accounts only.

Division over latest UK economic figures

By Peter Norman, Peter Marsh and Rachel Johnson in London

THE UK government yesterday reported the biggest April rise in unemployment for more than 20 years while releasing industrial production figures that suggested the recession may have touched bottom.

The latest economic data, which also included news of a big drop in manufacturing investment and a reduction in average earnings growth, led to fierce exchanges in the House of Commons, where Mr John Smith, the Labour opposition shadow chancellor, urged a 1 percentage point cut in bank base rates from their current 12 per cent.

But the Bank of England again urged caution over the pace of further interest rate cuts. In its latest quarterly bulletin, it said the impact of four recent ½-point cuts had still to be seen in the economy.

While not excluding future interest rate reductions, the Bank underlined the need for the authorities to keep downward pressure on inflation at a time when the economy might be approaching a turning point.

The debate over whether Britain should or would cut interest rates was given a new twist yesterday when the Bank of Spain cut its key money market.

Although a modest early cut in rates cannot be ruled out, the Bank of England's repeated warnings argue against a substantial easing of monetary policy later today, after the announcement of the retail prices index for April, or shortly afterwards.

A sharp drop is expected in the "headline" figure for annual inflation to about 6 per cent from 8.2 per cent in March. Yesterday both Mr Robin Leigh-Pemberton, the Bank governor, and Mr Norman Lamont, the chancellor, said there was no disagreement over interest rate policy between the Bank and Treasury.

"We are agreed on the need for interest rate reductions, carefully measured against progress in the reduction in inflation," Mr Leigh-Pemberton said.

Unemployment in Britain rose by 84,100 last month to 2.175m, the 13th consecutive monthly increase in the seasonally adjusted total. But the increase was lower than in the previous two months and roughly in line with market expectations.

The increase in unemployment last month came after rises of a revised 111,200 in March and 88,200 in February.

The unadjusted rise for April, which takes no account of the effect of seasonal fluctuations, was 58,382, taking the headline jobless figure to 2,198,455.

The increase in unemployment was accompanied by statistics for manufacturing output which showed a slowdown in the rate of decline in the first three months of 1991 and were among the first clear statistical pointers to a recovery later this year.

According to the Central Statistical Office, manufacturing output rose by an unexpectedly strong 0.8 per cent in March.

There was a drop of 1 per cent in the first quarter compared with the previous quarter.

This was in a sharp contrast with the drop of 3 per cent between the third and fourth quarters of last year.

Details, Page 6

White House may compromise on China

By Nancy Dunne in Washington

A WHITE HOUSE spokesman said yesterday that the Bush administration would consider attaching conditions to the annual renewal of China's Most Favoured Nation (MFN) trade status.

The suggestion implied that the White House may seek a compromise rather than face a politically damaging brawl in Congress which would allow the Democrats to emerge as human rights champions and the president as too weak to stand up to Peking.

"We're in the consultative process within the government right now on whether or not there should be conditions on it and exactly how do we analyse the human rights situation in China at the moment," Mr Marlin Fitzwater, the president's spokesman, said.

Just the suggestion that conditions might be attached to MFN sounded an alarm through the US business community. Mr Peter Lo, Hong Kong's minister of economic and trade affairs, yesterday said conditionality would be as damaging for Hong Kong as a failure to renew MFN.

"It would only create more uncertainty, particularly in relation to investors and business plans," he said. Hong Kong handles 70 per cent of China's exports. Loss of MFN status would probably result in a contraction of Hong Kong's overall trade flow by $12bn.

Mr Robert Kimmitt, the US under-secretary of state for political affairs, visited Peking earlier this month and asked China to free dissidents, but his request was rejected.

Various proposals to attach conditions to MFN renewal have been under discussion in Congress. One would cut off trade benefits to China after six months unless Peking freed political prisoners, ends arrests of pro-democracy activists, limits weapons sales and buys more US products.

Another would give China a year to improve its human rights practices and allow freedom of religion.

In Peking, a foreign ministry spokesman, Duan Jin, yesterday repeated that China would not accept any conditions.

Japanese trade surplus rises by 79%

By Robert Thomson in Tokyo

JAPAN'S TRADE surplus for April rose 79.3 per cent from a year earlier to $6.5bn, while the surplus with the European Community exceeded that with the US for the first time in more than eight years.

The Finance Ministry said customs-cleared exports rose 9.8 per cent from a year earlier to $24bn, while imports fell 3.5 per cent to $17.7bn, as fuel imports fell 26.5 per cent from a year earlier and machinery imports 4.7 per cent.

Japanese officials are growing concerned about the political consequences of the surplus with the EC, which was $2.5bn for the month, following an 18.2 per cent increase in exports to the Community, to $4.9bn, and a 12.4 per cent decrease in imports to $2.4bn.

Ms Chiharu Sumita, of UBS Phillips & Drew, said the figures were worrying for the government, coming so soon after the appointment of Mrs Edith Cresson as France's prime minister.

Japanese newspapers noted that Mrs Cresson has been particularly critical of Japanese trading practices.

Japan's surplus with the US was $2.26bn, as exports fell 3.6 per cent to $6.49bn, and imports declined 1.6 per cent to $4.23bn.

Imports from the Middle East fell 38.8 per cent, as the value and volume of oil imports was sharply down, while exports to the newly-industrialised economies in Asia rose 14.3 per cent to $5.3bn and imports rose 8.4 per cent.

The strongest export growth was reported for electric machines (up 14.4 per cent), ordinary machinery (up 12.9 per cent), precision instruments (up 10.6 per cent) and transport machinery (up 9.8 per cent).

● Japan's overall wholesale prices in April declined 0.3 per cent from March but edged up 0.1 per cent from a year earlier, the Bank of Japan announced, AP-DJ adds.

The wholesale price index stood at 91.0 (1985 equals 100). Domestic wholesale prices alone decreased 0.1 per cent from March while posting a 2.2 per cent year-on-year gain, the Bank said.

Domestic prices declined in April from the previous month for the first time since November 1989, largely because of falling prices of chemicals and coal and petroleum products, a bank official said.

THE LEX COLUMN

Carving up the grocery trade

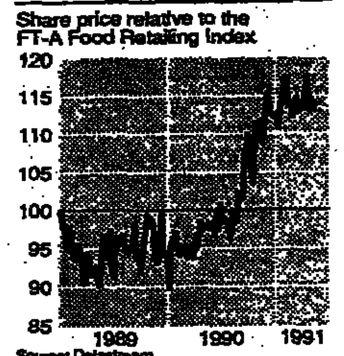
Yesterday's £387m rights issue from Argyll looks unmistakably like the last bit of a jigsaw dropping into place. Tesco, Sainsbury and Argyll, who between them have 40 per cent of the UK grocery market, have now raised £1.1bn this year to fund a building programme which will increase their joint capacity by 10 per cent in each of the next three years. This unnerving rate of expansion naturally raises the question of whether the market can grow fast enough to accommodate it. But the hidden premise is that it does not have to. Asda and Gateway, with a further fifth of the market between them, may well be too crippled by debt to stay in the race. The big three are counting on a carve-up.

Even if this comes to pass, the question is what happens thereafter. The chief attraction of the grocery trade in recent years has been the extraordinary return on investment in new stores – in Argyll's case, some 30 per cent annually within 18 months of start-up. The more cash is poured in, the lower the return will be. The big three are far too astute to respond with a price war. But they may well have to diversify, in which case the rate of return will doubtless fall further again.

Then again, there is a price for everything. Argyll, like Sainsbury, has just produced a 20 per cent rise in full year earnings. If its medium-term outlook is cloudy, it can still count on another two or three years of good growth, which can scarcely be said for the market as a whole. Despite that, its historic multiple is scarcely above the market average. The market need not lose its nerve just yet.

Argyll Group

Share price relative to the FT-A Food Retailing Index



Source: Datastream

UK economy

As ever, the problem with deriving immediate hope from yesterday's UK economic data is that the 0.8 per cent rise in monthly manufacturing output for March could well be revised right away in a month's time. The quarterly trend is slightly less encouraging. Output was still dropping in the first quarter, but the rate has slowed to the point where the second quarter could be flat. There might even be a slight recovery by the autumn.

If that suggests the economy is close to a turning point, there is plenty of room for caution. While recent survey evidence from the corporate sector implies some revival in confidence, there is no evidence yet that this has been translated into orders. Any real benefit in the form of higher output is several months away at the earliest. The 11 per cent fall in companies' capital expenditure for the quarter, together with the continuing rise in unemployment, confirms the depth of the downturn. But it is probably a little early to conclude we are close to the bottom of a rerun of the 1980-81 V-shaped recession. That would logically entail a recovery as sharp as the collapse last summer, which is expected only by the most diehard optimists.

France

The Paris bourse displayed admirable sang-froid yesterday in the face of France's sudden shift of political gear. The 1.3 per cent rise in the CAC-40 index was inspired partly by interest rate hopes following earlier action by the Bank of Spain. But sentiment was also helped by the correct assumption that the trusted Mr Bérégovoy will still play a pivotal role in the new team. Undoubtedly, this will serve to lessen the risks, though it will hardly eliminate them.

A plausible case can be made for assuming business as usual. Mrs Cresson's style will be more abrasive but experience shows that her bark tends to be worse than her bite. Her programme, as sketched out on French television yesterday, looks little different from that of her predecessor, while both she and Mr Mitterrand insist that the Rocard inheritance in matters fiscal and financial will not be thrown away. Investors, though, will hardly take this sort of rhetoric on trust and will want to see firm evidence that the finance minister's influence remains. They are also likely to be suspicious of the new government's industrial policy, even if a more dirigiste approach will be good news for car and electronics stocks in the short term.

After three years with little distraction from domestic politics, the market may be in for a jumpy few months. The next test will no doubt come on interest rates, where despite yesterday's lack of action the temptation to cut must plainly remain.

Interest rates

Yesterday's cut in Spanish interest rates caused a natural flurry in the UK money markets, poised as they are for a possible UK rate cut today. The connection is in fact tenuous. The ERM currencies are curiously arranged at present, with the peseta at the very top, the French franc at the very bottom and the rest huddled in the middle. The obvious beneficiary from the Spanish move would thus have been France, whose failure to react was wholly unsurprising. The only way for the French authorities to cut rates within the system is to convince the markets they are not going to, thus allowing the franc to recover. It would scarcely help to have a supposedly left-wing prime minister asserting herself on her first full day of office.

For the UK, today's decision on whether to cut base rates is thus a purely internal affair. It is to be hoped that the government will resist the temptation, irrespective of the views of the Bank of England. At several points since ERM entry, the government has made the mistake of letting the markets believe that monetary policy is the slave of short-term political expediency. The day of a by-election is no time for action; next week will do just as well.

Taurus

The good news is that the Department of Trade and Industry has finally released an elegant legal framework for the introduction of the Taurus share settlement system. The bad news is that the legislation is still only in draft form. The consultation period runs into August, which means the subsequent passage of the rules through parliament is perilously at risk of derailment by an autumn general election or change of government. The Stock Exchange can only wear a brave face and hope its revised timetable is intact seven months from now.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	C	18	66
Algiers	S	25	77
Amsterdam	R	9	48
Athens	R	16	61
Bahrain	S	33	91
Bangkok	F	35	97
Barcelona	S	18	66
Beirut	S	21	70
Belfast	C	11	52
Belgrade	F	16	64
Berlin	[illegible]	[illegible]	[illegible]
Biarritz	[illegible]	[illegible]	[illegible]
Bombay	[illegible]	[illegible]	[illegible]
Bordeaux	[illegible]	[illegible]	[illegible]
Boulogne	[illegible]	[illegible]	[illegible]
Bristol	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]
Budapest	[illegible]	[illegible]	[illegible]
Buenos Aires	[illegible]	[illegible]	[illegible]
Cairo	[illegible]	[illegible]	[illegible]
Cape Town	[illegible]	[illegible]	[illegible]
Cannes	[illegible]	[illegible]	[illegible]
Casablanca	[illegible]	[illegible]	[illegible]
Chicago	[illegible]	[illegible]	[illegible]
Cologne	[illegible]	[illegible]	[illegible]
Copenhagen	[illegible]	[illegible]	[illegible]
Corfu	[illegible]	[illegible]	[illegible]
Dallas	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]
Dubrovnik	[illegible]	[illegible]	[illegible]
Edinburgh	[illegible]	[illegible]	[illegible]
Faro	[illegible]	[illegible]	[illegible]
Florence	[illegible]	[illegible]	[illegible]
Frankfurt	[illegible]	[illegible]	[illegible]
Geneva	[illegible]	[illegible]	[illegible]
Gibraltar	[illegible]	[illegible]	[illegible]
Glasgow	[illegible]	[illegible]	[illegible]
Guernsey	[illegible]	[illegible]	[illegible]
Helsinki	[illegible]	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]	[illegible]
Innsbruck	[illegible]	[illegible]	[illegible]
Inverness	[illegible]	[illegible]	[illegible]
Islamabad	[illegible]	[illegible]	[illegible]
Istanbul	[illegible]	[illegible]	[illegible]
Jakarta	[illegible]	[illegible]	[illegible]
Jersey	[illegible]	[illegible]	[illegible]
Johannesburg	[illegible]	[illegible]	[illegible]
Las Palmas	[illegible]	[illegible]	[illegible]
Lisbon	[illegible]	[illegible]	[illegible]
London	[illegible]	[illegible]	[illegible]
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Luxembourg	[illegible]	[illegible]	[illegible]
Madeira	[illegible]	[illegible]	[illegible]
Madrid	[illegible]	[illegible]	[illegible]
Majorca	[illegible]	[illegible]	[illegible]
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Malta	[illegible]	[illegible]	[illegible]
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Manila	[illegible]	[illegible]	[illegible]
Melbourne	[illegible]	[illegible]	[illegible]
Mexico City	[illegible]	[illegible]	[illegible]
Miami	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]
Montreal	[illegible]	[illegible]	[illegible]
Moscow	[illegible]	[illegible]	[illegible]
Munich	[illegible]	[illegible]	[illegible]
Nairobi	[illegible]	[illegible]	[illegible]
Naples	[illegible]	[illegible]	[illegible]
Nassau	[illegible]	[illegible]	[illegible]
New Delhi	[illegible]	[illegible]	[illegible]
New York	[illegible]	[illegible]	[illegible]
Nice	[illegible]	[illegible]	[illegible]
Nicosia	[illegible]	[illegible]	[illegible]
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Oslo	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]
Perth	[illegible]	[illegible]	[illegible]
Prague	[illegible]	[illegible]	[illegible]
Reykjavik	[illegible]	[illegible]	[illegible]
Rhodes	[illegible]	[illegible]	[illegible]
Rio de Janeiro	[illegible]	[illegible]	[illegible]
Rome	[illegible]	[illegible]	[illegible]
Salzburg	[illegible]	[illegible]	[illegible]
San Francisco	[illegible]	[illegible]	[illegible]
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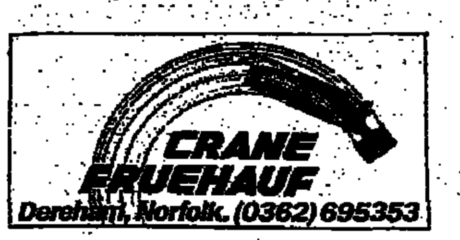
Singapore	[illegible]	[illegible]	[illegible]
Stockholm	[illegible]	[illegible]	[illegible]
Strasbourg	[illegible]	[illegible]	[illegible]
Sydney	[illegible]	[illegible]	[illegible]
Tangier	[illegible]	[illegible]	[illegible]
Tel Aviv	[illegible]	[illegible]	[illegible]
Tenerife	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]
Toronto	[illegible]	[illegible]	[illegible]
Tunis	[illegible]	[illegible]	[illegible]
Valencia	[illegible]	[illegible]	[illegible]
Venice	[illegible]	[illegible]	[illegible]
Vienna	[illegible]	[illegible]	[illegible]
Warsaw	[illegible]	[illegible]	[illegible]
Washington	[illegible]	[illegible]	[illegible]
Wellington	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder



FINANCIAL TIMES
COMPANIES & MARKETS

Friday May 17 1991

INSIDE

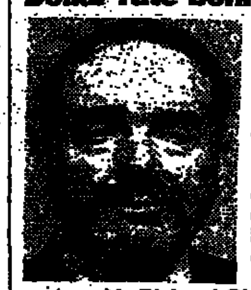
Mexico unscrambles telephone sell-off

Three years ago a successful multi-billion dollar privatisation of Telmex, Mexico's telephone company, appeared improbable. The monopoly was appallingly managed, badly regulated, strangled by its unions and heavily taxed. More to the point, Mexico, and Mexican companies, were in effect barred from the international capital markets. Nevertheless, the privatisation of Telmex draws to a close this week. Page 28

Burning ambitions

In April, Nigeria exported its first coal for more than two decades. The effect of civil war in the late 1960s and the discovery of crude oil have for many years sidelined the coal industry. But a joint venture between a British-based company and the Nigerian government promises to bring coal back into the country's industrial mainstream. William Keeling reports. Page 32

Dollar rate behind 12% BOC fall



Profits at BOC, the industrial gases and health care group, fell 12 per cent in the six months to March 31, as a result of adverse currency movements and increased interest charges and capital expenditure. Mr Patrick Rich (left), who became chief executive in December and will replace Mr Richard Giordano as chairman next year, said it was meaningless to look at the results without taking account of the adverse movement of the dollar. Page 29

Generali keeps 'em guessing

Take a secretive Italian insurer. Add a wholly unexpected L1,750bn ($1.4bn) rights issue. Then insert terms devised by an even more secretive bank. That is the recipe for the Mediobanca-led rights issue by Generali, Italy's biggest insurance group, which has left stock market analysts fuming and provoked a parliamentary summons to the head of Consob, Italy's stock exchange watchdog, for an explanation. Page 22

Shares go island hopping

For the past month Caribbean investors have been testing the uncharted waters of cross-border trading on the region's three exchanges. The fledgling exchange, with a combined capitalisation of $1.5bn, offers access to 86 listed stocks. Most of the activity has been between Jamaica and Trinidad. The third, Barbados, has not had any cross-border activity. Page 44

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
BMW (Br)	566	+	10.5
Dragerwerk	297	+	16
Linotype	617	+	10
Falls			
Hapag Lloyd	408	−	17
Phil Kommun	503	−	18
Sch Lubeca	337.5	−	15.5

NEW YORK ($)

Rises			
AMR	61½	+	1⅞
Borland Intl	46½	+	½
Compaq	37¼	+	1⅝
Hewlett-Packard	48⅝	+	2¾
Schering-Plough	51¼	+	⅝
Falls			
Encore Computer	1⅝	−	1⅞

New York prices at 12.30.

PARIS (FFr)

Rises			
Air Liquide	690	+	14
GTM-Entrepose	484	+	19
Merlin-Gerin	522	+	7
Soc Generale	436	+	10.2
Sp Batignoles	560	+	17
Falls			
Club Med	453	−	15

TOKYO (Yen)

Rises			
Mitsubishi Wrhse	1140	+	90
Japan Pulp	827	+	46
Falls			
Nichimo	1090	−	110
Tobishima	1720	−	110
Nitto Seimo	2850	−	200
P S Concrete	9900	−	900

LONDON (Pence)

Rises			
Allied-Lyons	575	+	21
Border TV	43	+	2½
Central TV	850	+	52
Costain	186	+	10
Crossroads	40	+	7
Gates (FG)	80	+	10
Harris (Ph)	121	+	13
ICI	1266	+	48
Office Elect	38	+	3
Pearson	757	+	12
Royal Ins	438	+	13
Scottish TV	750	+	54
Shoprite	259	+	12
Smith New Ct	142	+	7
Tomorrows Leis	45	+	8
Usher-Walker	294	+	9
Falls			
Argyll	297	−	10
Business Tech	44	−	10
Jackson Grp	65	−	8
Sutcliffe Spkm	14	−	2½
Tomkinsons	261	−	12

Sharp falls at Japan's securities firms

By Robert Thomson in Tokyo

JAPAN'S securities houses yesterday reported sharply lower profits for the fiscal year to the end of March, reflecting the effects of the Tokyo stock market plunge and the collapse of commission income — that companies now hope has stabilised.

The Big Four houses, Nomura, Daiwa, Nikko, and Yamaichi, recorded falls in pre-tax profit of between 52 per cent and 72 per cent. Second-tier brokers were particularly hard hit, announcing drops of 90 per cent and more.

In explaining the poor results, all brokers pointed to the dramatic fall last year in the Nikkei average, which was down by as much as 48 per cent, as well as to the year's consistently low trading volumes, and to the paucity of new share issues.

Second-tier brokers were badly bruised because plans to diversify with expansion in areas such as derivatives, coincided with the stock market's collapse. Sanyo Securities reported a 94.7 per cent fall in pre-tax profit, New Japan Securities was down 89.1 per cent, Kankaku fell 90.7 per cent, and Yamatane reported a loss.

Nomura, the largest Japanese house, reported a 52.2 per cent fall in pre-tax profit to Y233.5bn (£970m), as operating income fell 30.2 per cent, including a 43.3 per cent drop in commissions and a 24.4 per cent fall in profits on securities dealings.

The company blamed the increases in Japan's official discount rate (ODR) last year for having undermined the stock market and "dampened the bond market". Daily turnover on the Tokyo exchange was 31 per cent lower last year, while the number of shares handled by Nomura was down 43 per cent. The company's bond trading volume was down 17 per cent.

Daiwa reported a 61.9 per cent fall in pre-tax profit to Y119.3bn, a 27.7 per cent drop in operating income, including a 42.9 per cent fall in commissions and a 48.8 per cent reduction in profits on securities dealings.

The company said last night that profits were likely to increase slightly this year, although that "depends on what happens to the official discount rate".

Brokers have been waiting for the past few months for a reduction in the ODR, which stands at 6 per cent, but the Bank of Japan has yet to respond, believing that further air should be released from what Japanese call "the bubble economy". The bank is known to fear that a premature ODR cut could prompt a return to the stock market speculation that pushed the Nikkei average to record highs in late 1989.

Nikko Securities reported a 72 per cent fall in pre-tax profits to Y72.9bn, on a 37.3 per cent fall in operating income, including a 45.7 per cent fall in commissions and a securities trading loss of Y19.85bn.

Yamaichi Securities reported a 71.1 per cent fall in pre-tax profit to Y67.5bn on a 37.2 per cent decline in operating income. Commissions fell 47.1 per cent, while the company reporteda small profit of Y6.2bn, down 59.6 per cent, on securities dealings.

More securities results plus table, Page 31

Atlas Copco falls 36% amid weak demand

By John Burton in Stockholm

EUROPE'S biggest air compressor manufacturer, Atlas Copco, yesterday reported a 36 per cent drop in profits after financial items to SKr250m ($41m) for the first quarter of 1991.

Atlas, which also manufactures industrial and mining equipment, did not make a forecast for the year. However, it predicted that profits would be lower than last year's SKr1.27bn. It said that there was no sign of an upturn in orders. Sales fell 8 per cent in the first four months, Atlas said. Rationalisation costs would also affect profits for the year.

The decline was blamed on a continuation of the weak demand that lowered 1990 earnings by 17 per cent. Sales fell in the first three months by 10 per cent to SKr3.54bn, with sluggish demand in the Nordic and North American markets, and a decrease in South America.

Orders fell by 8 per cent to SKr4.15bn in the first quarter. Restructuring costs for mining and industrial equipment sectors, including cutting the work force by 1,600 people, further reduced profits by SKr65m. This accounted for a third of the 40 per cent fall in operating earnings to SKr263m.

The compressor sector, which is Atlas Copco's biggest unit, suffered the smallest profit decline at 4 per cent to SKr266m. Sales fell by 5 per cent to SKr1.71bn. In recent years, Atlas Copco has focused on expanding its compressor sector. The group has been steadily reducing its dependence on mining equipment, its traditional business.

The mining sector lost SKr25m in the first quarter, compared with a profit of SKr91m a year ago. This reflected weak orders for drilling rigs and rock drilling tools. Sales fell 20 per cent to Skr1.01bn.

Yesterday's results held some disappointment for Mr Michael Treschow, the group's new president. Before assuming his post last month, Mr Treschow was head of the industrial equipment business, another area of corporate expansion.

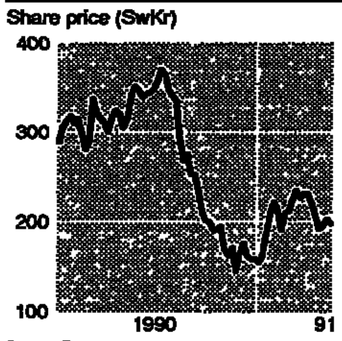
Profits for industrial tools fell 41 per cent to SKr70m, while sales declined 6 per cent to SKr617m.

● Gambro, the Swedish dialysis and cardiovascular surgery equipment company, yesterday revealed an 85 per cent rise in profits after financial items to SKr141m during the first quarter of 1991. The acquisition in the US of Cobe Laboratories, which was not included in the corresponding results a year ago, contributed to a 66 per cent jump in sales to SKr1.35bn.

Gambro predicted that the profits growth for the rest of the year would not match the rate achieved during the first quarter.

However, earnings for 1991 should at least reach last year's level, when Gambro reported record profits of SKr406m.

Atlas Copco



Source: Datastream

Hanson move seen as test of ICI defences

By Our Industrial and Financial Staff

INTERNATIONAL banks are unlikely to support a bid by Hanson, the acquisitive UK industrial conglomerate, for Imperial Chemical Industries, it emerged yesterday as the implications of the purchase of a 2.8 per cent stake in ICI reverberated through the City of London and Westminster.

It is increasingly clear that Hanson bought the stake to test the extent of political and financial opposition to an eventual bid for ICI.

Close advisers to Lord Hanson, the conglomerate's founder, indicated he was taking the first steps in a long-term strategy to test ICI's defences. One said the stake buying, which was disclosed yesterday, was the "first note in a long concerto".

Lord Hanson, speaking after receiving an honorary doctorate in his home town of Huddersfield stressed his group had the resources to take advantage of the way the recession has hit groups such as ICI.

He said: "We have got very high cash balances and have about £7bn on deposit. At Hanson it has been clear we have been building up for a recession for some time and so we have built up our reserves."

Analysts expect a bid to be pitched at about £15 to £16 a share, valuing the company at £11.3bn ($19.5bn). ICI shares closed up 48p at 1,266p after initially gaining 70p.

Hanson's move brings together two companies which exemplify sharply contrasting aspects of British industry. Hanson grew strongly in the last decade through a string of ever more ambitious acquisitions, while ICI has a reputation as one of the foremost manufacturers with a record for heavy spending on research and development. While ICI has been hit by the recession, Hanson is searching for a large takeover to inject new growth into the company.

However, senior bankers cast doubt on Hanson's ability to generate the political and financial momentum to bid for a company which is a pillar of the British corporate establishment.

It is estimated it would have to borrow about £5bn-£6bn from at least 12 banks for an all-cash bid. British banks in particular are wary of supporting such a move fearing they would lose ICI as a customer and provoke a public backlash.

Their wariness makes it increasingly likely Hanson would have to finance a bid using an exchange of shares or by reaching prior agreement on the sale of a substantial chunk of ICI.

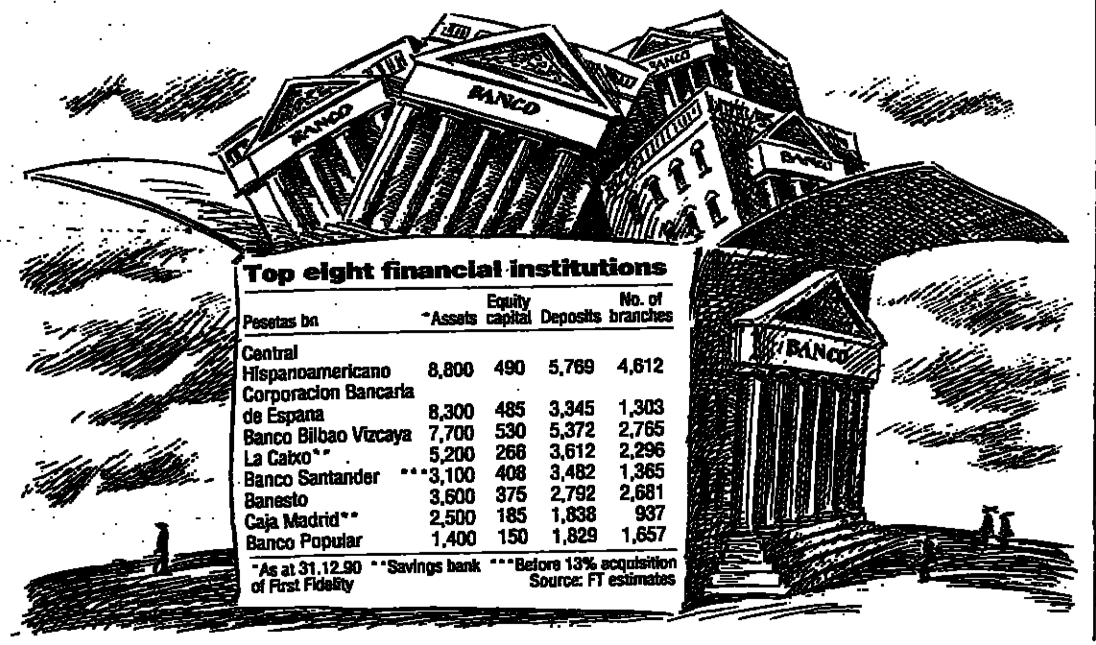
Meanwhile, ICI maintained its official attitude of ignoring Hanson's move although it is known that the company is preparing its defences.

Sir Denys Henderson, ICI's chairman, attended a lunch for institutional investors at Smith New Court, the brokers who on Tuesday bought the 20m shares. Sir Michael Richardson, Smith New Court's chairman, sold Hanson the stake on Monday afternoon, went short on the position overnight and into the market the following day.

Although Hanson is expected to try to gather a consortium of companies which might buy parts of ICI, European chemical industry executives said they had not had contact with Hanson.

Hanson and ICI, Page 27

Spain banks on a weighty merger



Top eight financial institutions

Pesetas bn	*Assets	Equity capital	Deposits	No. of branches
Central Hispanoamericano	8,800	490	5,769	4,612
Corporacion Bancaria de Espana	8,300	485	3,345	1,303
Banco Bilbao Vizcaya	7,700	530	5,372	2,765
La Caixa**	5,200	266	3,612	2,296
Banco Santander	***3,100	408	3,482	1,365
Banesto	3,600	375	2,792	2,681
Caja Madrid**	2,500	185	1,838	937
Banco Popular	1,400	150	1,829	1,657

*As at 31.12.90 **Savings bank ***Before 13% acquisition of First Fidelity Source: FT estimates

Banco Central Hispanoamericano stumbles on to the scales like an overweight and out-of-breath boxer. The merger announced on Tuesday night between Central and Hispano Americano may have created the biggest bank in Spain, but not one which is fighting fit.

The merger could bring an extra Pta250bn in reserves ($2.3bn) to an institution which already has Pta8,800bn in assets – more than any other bank in Spain. But all the signs are that the new bank – over-burdened with staff and branches – is going to need all the help it can get.

Hispanoamericano was created to compete with the merger of Spain's public banks, Corporacion Bancaria de Espana (CBE), with assets of Pta8,300bn, and Banco Bilbao Vizcaya (BBV), with Pta7,700bn.

The Pta250bn is the capital gain from a revaluation of the Central and Hispano assets when they merge in the next few months. If the government is happy with the merger, it will allow the gain to be tax free.

Mr Carlos Solchaga, the Spanish finance minister, could hardly hide his satisfaction at the decision. Mr Alfonso Escamez and Mr Jose Maria Amusategui, the presidents of Central and Hispano, he said, had "put aside their personal wishes or vanities and taken the interests of the banks, the shareholders and the country into account".

Madrid has been pressing Spanish banks to merge since about 1987. Until then the government had only succeeded in persuading Banco de Bilbao and Banco de Vizcaya. They merged in 1988 to become BBV, then the country's biggest bank.

Frustrated, Madrid announced almost three weeks ago that it would merge all state-owned financial institutions – probably into Banco Exterior. The CBE, said Mr Solchaga, "would be belligerent in the markets". The news, combined with shrinking retail margins, was enough to scare Mr Escamez and Mr Amusategui. Their deal was done in a fortnight.

Three things begin to happen now, none of them easy.

● First, the two banks, their regional banking affiliates and part of their directly-controlled industrial holdings must co-ordinate and merge their personnel – and, somehow, their cultures. At BBV this process is still not complete. Many ex-Vizcaya managers feel they are subordinate to colleagues from Bilbao.

At Central Hispanoamericano, "you could not have two more different cultures," says one senior Hispano manager. "In Hispano, we cut through red tape. In Central, it is all seniority. But the young people are ours and they are hungry."

Mr Escamez, now 76, will run the bank until next year. Then, Mr Amusategui will take over and the jockeying for position will be bloody.

● Second, the banks must cut jobs and close branches where duplicated. The process will be slow and expensive. BBV has cut just 3,000 jobs in three and a half years and Central Hispano has much further to go than that.

● Lastly, the new bank has to decide what to sell. Central and Hispano industrial affiliates together account for about 5 per cent of GDP. Central is strong in manufacturing and Hispano's strength lies in services. Between them, they have three insurance companies, one of which might be sold. There are already enough foreign insurers looking for a way into Spain.

Peter Bruce in Madrid looks at the challenge of combining two of the country's leading financial institutions

The institutions might not have to look too far for buyers; their merger will create the largest presence of foreign shareholders on the board of any big Spanish bank.

Commerzbank has held 10 per cent of Hispano since 1983 and because of this stake it will automatically become the merged bank's biggest shareholder with a 4.4 per cent holding. Hispano bought 5 per cent of Commerzbank in 1989.

At Central, Mr Escamez has invited three French shareholders on to his board in the past two years. Between them, UAP, the insurer, the Bouygues construction group and Elf Aquitaine, the oil group, have about 12 per cent of Central. All three are already collaborating with Central's insurance, building and refining companies.

Disposing of assets to bump up profits is an old trick in Spanish banking. It has become pronounced again following Banco Santander's bid in 1989 to capture clients by offering interest-bearing current accounts.

As a result, net profits in the sector last year, as a percentage of total assets, fell from 1.54 per cent to almost 1.5 per cent after increasing from 1.4 per cent in 1988. Shrinking retail margins are the key to explaining why banks are merging again. They believe that only by getting bigger can they move efficiently into fee-paying services and away from retail. In 1989, average Spanish retail lending margins equalled 4.4 per cent of total assets, the highest in the European Community after Greece and Portugal.

No one believes the concentration of Spanish banking has ended with the Central Hispano merger. Attention is likely next to focus on Mr Mario Conde, the president of Banesto, and Mr Emilio Botin, chairman of Banco Santander. Mr Conde, who failed to merge Banesto with Central in 1989, is having a tough time modernising its banking business while trying to attract investors to the industrial arm, Corporacion Industrial.

Mr Botin, on the other hand, has won Santander a clutch of new customers by being the first to offer high-yield current accounts. He has also been aggressively buying banking stakes outside Spain. Santander now owns 10 per cent of Royal Bank of Scotland and 13 per cent of First Fidelity in the US. Mr Botin, who sold some regional banks and stakes in electrical utilities recently, is sitting on a cash pile of about $800m. The markets are convinced that Santander is looking for a significant Spanish acquisition.

Banco Popular, the smallest of the big commercial banks, and the most profitable in the world, is too well protected to raid. Banesto then? Mr Conde would not give anything away. But if the arguments for size begin to appeal, then he and Mr Botin might wonder whether the birth pains of a merger might not be worth it in the end.

Buoyant Argyll taps the market for £387m

By **John Thornhill** in London

ARGYLL Group, which owns the Safeway grocery chain, yesterday stacked up its chips to compete in the great superstore building competition by announcing a rights issue to raise £387m.

The company also brought forward its annual results showing a 19 per cent improvement in pre-tax profits to £290.8m ($503m) before exceptional items.

This latest move from the third largest supermarket chain in the UK follows similar fund-raising and store-expansion programmes in the past six months by its rivals J. Sainsbury and Tesco.

In January Tesco tapped the stock market for £572m and Sainsbury has raised funds through an issue of £200m of convertible capital bonds and a £135m sale and lease-back deal.

Argyll's one-for-six issue priced at 250p a share will be applied to Safeway's accelerating store development programme. The company's shares slipped slightly on the news yesterday to close 10p lower at 297p.

Since 1987 the number of Safeway stores has grown from 133 to 310 more than tripling selling space to over 6m sq ft. Argyll plans £450m in capital expenditure this year increasing to more than £500m in the two following years. Following the rights issue, Argyll will have pro forma shareholders funds of £1.2bn and a cash balance of £221m.

Argyll, Sainsbury and Tesco will build about 60 superstores this year at a cost of well in excess of £2bn. Sainsbury, which announced a 15 per cent rise in pre-tax profits this week, said it had a better stock of sites than ever before and would be raising its sales area at a rate of 8 per cent a year.

In the year to March 30, Argyll's sales grew by 15 per cent to £4.76bn from £4.14bn. Operating profits rose by 27 per cent to £285.3m increasing the net trading margin to 6.3 per cent from 5.7 per cent.

Excluding the previous year's £16m exceptional provision relating to the conversion of some Presto stores to the Safeway format, pre-tax profits were up 28 per cent.

During the year, Argyll opened 18 Safeway stores with an average size of 28,000 sq ft.

Earnings per share, before exceptional items, rose 20 per cent from 18.4p to 22.1p. Argyll is recommending a final dividend of 5.85p bringing the yearly pay-out to 8.7p (7.25p), up 20 per cent.

Lex, Page 20

Shell ahead despite sliding oil prices

By Deborah Hargreaves in London

STRONG INCOME from refining and marketing oil products lifted profits for the Royal Dutch/Shell group, the Anglo-Dutch oil company, by 48 per cent in the first quarter to £1.23bn ($2.12bn) from £826m in the same period last year.

Gains from corporate items – largely the benefit of foreign currency transactions – helped the group weather the storm of falling oil prices over the quarter and, in spite of a stock loss of £378m, income on an historical cost basis rose to £847m from £816m in the same 1990 quarter.

However, Sir Peter Holmes, Shell chairman, said the cyclical downturn in chemicals and the likelihood of surplus refining capacity makes for a cautious outlook for the rest of the year.

The drop in oil prices in the first three months of the year freed some £860m of working capital that had been tied up in oil stocks at Shell. This partly led to a £1.6bn increase in cashflow from operations to £2.4bn despite a 10 per cent rise in capital expenditure over the period.

The level of gearing in Shell's operations has now dropped to an impressive 1 per cent.

"A lot of things are going right for Shell," said Mr Fergus McLeod, oil analyst at County NatWest in Edinburgh. "In contrast with the majority of oil companies, Shell has a rising production profile over the next five years and an internal focus on costs, particularly in North America."

North American operations account for 28 per cent of assets but 7 per cent of earnings.

The group's oil output rose by 2 per cent in the first quarter to over 2m barrels a day (b/d) and gas production was up 5 per cent to 7.61bn cubic feet a day.

The one cloud in the company's performance is its chemicals arm which saw income drop to £89m in the first quarter – £70m below the same period last year.

Generali keeps the stock market guessing

Haig Simonian explores the background to the Italian insurer's $1.4bn rights issue

TAKE a secretive Italian insurer, run by a veteran chairman. Add a wholly unexpected L1,750bn ($1.4bn) rights issue. Then insert terms devised by an even more secretive bank dominated by an equally venerable boss.

That is the recipe for the Mediobanca-led rights issue by Generali, Italy's biggest insurance group, which has left stock market analysts fuming and provoked a parliamentary summons to the head of Consob, Italy's stock exchange watchdog, for an explanation.

Meanwhile, Generali's share price, which has surged by around 30 per cent since the end of last year on takeover talk, has slumped as investors have sold heavily.

That is not surprising since Generali has not bothered to explain why it wants the money, and even failed to provide adequate details for its issue.

Thus the fact that, after a 12-month grace period, the second payment on its new warrants will rise in line with the interest rate on one-year Treasury bills – rather than remain stable at L6,000 – has still not been understood.

Three theories have emerged as to why the company wants so much money:

Theory 1, A big acquisition: Generali is one of two remaining bidders for part of the UK's Export Credits Guarantee Department (ECGD). It is also indirectly involved in Axa-Midi's talked-about $1bn bid for a 40 per cent stake in Equitable Life of the US.

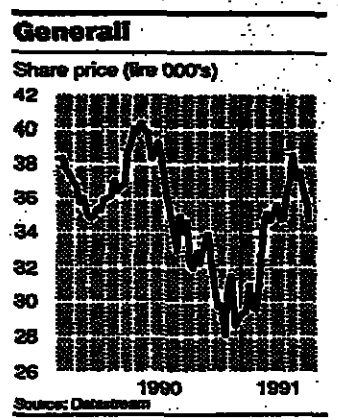
The ECGD offshoot could cost around £30m ($52.4m). Even adding the multiple of that sum required to recapitalise and invest in the business would still leave Generali with an awful lot of change from its issue.

Meanwhile, even if the US plans of Axa-Midi, in which Generali has just over 16 per cent, go through and Generali takes up its full share in some future Axa rights issue, that again leaves plenty of cash to spare.

Hence the possibility that Generali is building a war chest, with a takeover candidate perhaps already in mind.

Guardian Royal Exchange, a UK composite weighted towards the non-life side, is a long-standing possibility, but probably excluded on the grounds that Generali does not want to raise its UK non-life exposure, which already accounts for around 5 per cent of last year's consolidated group premium income of L15,685bn.

Fiat's Toro insurance subsidiary has been mooted – and regularly denied. But even if the purchase rumours were true, analysts would expect payment to be in the form of Generali shares rather than cash.



That leaves the US, which only accounted for 2 per cent of Generali's 1989 group premium income. Last year, it spent $285m on Business Men's Assurance, a small life group. The most plausible takeover scenario has Generali expanding BMA, probably through a US acquisition.

Theory 2, Generali needs the cash: Although traditionally seen as being bloated with both securities and property portfolio, this theory may be plausible. Evidence comes from the fact that Generali's 1990 parent company earnings fell 10 per cent to L351bn in 1989. That is poor compared with the 12 per cent rise to L137.9bn reported by Riunione Adriatica di Sicurta (RAS), Italy's second biggest insurer.

While RAS made up for the heavy underwriting losses being suffered in the industry by disposing of property and securities, Generali let profits slide.

Admittedly, it released only parent company figures, and consolidated earnings may be better. But some analysts say Generali's results imply it has a smaller financial cushion than widely believed.

Generali's latest dividend, which has been cut to L180 a share from L350 last year, bolsters that view.

The latest payout is boosted by a free savings share in Generali's Alleanza life insurance subsidiary for every 250 Generali shares held, making for a 14.9 per cent rise in value overall, Generali says.

But the Alleanza shares come from Generali's own stock, adding weight to the feeling that it is trying to husband funds. The move is also unpopular.

"Eight new savings shares in Alleanza are little use to Generali's 140,000-odd small shareholders, with an average 2,000 shares each," says one analyst. Even big institutions would prefer cash.

Theory 3, A conspiracy: Generali's rights issue is less a means of raising money than of reinforcing the position of Mediobanca, which already has 5.6 per cent of Generali, and its allies, notably Lazards.

The theory has its merits in view of the complex structure of the latest deal, which involves one new 10-year warrant for every four shares held.

The warrants, which can be converted into new Generali shares, cost an initial L6,000 each, plus at least another L6,000 when exercised into new shares. As the Mediobanca consortium is underwriting the whole deal, any warrants – and associated voting rights – not taken up will remain in its hands.

In the event of no warrants being taken up, Mediobanca would hold sway over an additional 20 per cent of Generali's expanded share capital.

The conspiracy argument claims the whole deal has been created in order to make the warrants unattractive to investors. That will allow Mediobanca to exert influence for the next 10 years at the minimum cost, and open the door to a friendly party at will.

On the other hand, Italy is a country where conspiracy theories thrive but often never take shape.

If Generali's aim has been to shake up the often predictable world of international insurance, it has certainly succeeded.

But for those hoping that the group, which is Italy's closest parallel of a widely-held "public company", might provide an example for popular capitalism, disappointment and cynicism are once again more appropriate.

AEG stays in the red but hopes for improvement

By **Andrew Fisher** in Frankfurt

AEG, the loss-making electrical and electronics subsidiary of Daimler-Benz, hopes to improve its operating result *this* year, *but will still* be *in* the red.

Mr Ernst Georg Stöckl, the new chief executive, said the German company was working on a solution for Olympia, its office equipment unit, which *made an increased loss in* 1990.

This would involve the sale of its marketing and service operation and the possible manufacture of other Daimler products at Olympia's plant in Wilhelmshaven, north Germany.

AEG has already announced a net loss of DM205m *($119.80m) for 1990. Mr Günther* Schad, the finance director, said the loss was between DM400m and DM450m – roughly half caused by Olympia – before being partly offset by funds from earlier sales of *some activities to Daimler.* Cash flow fell to DM486m from DM809m and net liquidity to DM742m from DM1.2bn.

In the first four months of 1991, order inflow was up by 2 per cent to DM4.7bn.

Cap Gemini Sogeti plans FM expansion in Europe

By **Alan Cane** in Paris

CAP GEMINI SOGETI, the leading French computing services company, which last year bought Hoskyns of the UK, is planning to capture a big share of the European market *for facilities management* (FM).

FM involves taking over a customer's computer systems and computing staff and providing a fee-based data processing service.

It is an area in which CGS has not previously been involved, but, as cost pressures and technological complexity increases, FM is growing in popularity among large companies.

Marketing consultancies estimate growth in Europe this year at around 25 per cent, well in excess of growth rates for other IT services.

The overall European market *could eventually be* worth $2bn a year.

Hoskyns is the leading UK FM supplier, with some 40 per cent of the market, but it has little presence in Europe.

CGS is establishing a new joint venture company – Cap Sesa Hoskyns – between Hoskyns and its systems subsidiary, Cap Sesa, to sell FM services first in France and eventually in other countries in Europe.

Banco Exterior de Espana has good quarter

STATE-CONTROLLED Banco Exterior de Espana, which is to be the cornerstone of Corporacion Bancaria de Espanola (CBE), the newly-created financial giant in Spain, has raised first-quarter net profits by 23.4 per cent to Pta4.7bn ($44.8m) writes Tom Burns in Madrid.

The bank reported an 8.6 per cent improvement on operating margin, following a 4.3 per cent rise in last year's first quarter. Operating costs rose just 0.8 per cent against the same period in 1990.

Mr Francisco Luzon, the 42-year-old chairman appointed to build up Exterior's profitability in 1988, is tipped to be the CBE's first chairman.

La Générale acts to cut debt by raising BFr8.25bn

By **Andrew Hill** in Brussels

SOCIETE Générale de Belgique is to raise BFr8.25bn ($237m) by selling two minority stakes and a tranche of its own shares, thus taking a large step towards its goal of reducing debt by BFr25bn within 12 months.

Belgian's largest holding company, which last month announced a 40 per cent fall in net group profit, is seeking a drastic cut in its BFr30.3bn of net short-term debt. The main impulse for the reduction has come from Compagnie Financière de Suez, the French financial and industrial conglomerate which owns 61 per cent of La Générale.

La Générale is selling its 31 per cent stake in Compagnie Immobiliere de Belgique (CIB), a real estate company, for BFr3.85bn to Tractebel, the Belgian utilities and service company. Tractebel has also bought La Générale's 9.9 per cent stake in Fibelpar, an investment group, for BFr2.8bn.

La Générale is to raise a further BFr1.6bn by selling 700,000 of its own shares to outside investors, but Mr Gerard Mestrallet, managing director, repeated the company's intention to keep its large minority holdings in other Belgian groups, including Tractebel.

Weak economy hits Australian banks

By Kevin Brown in Sydney

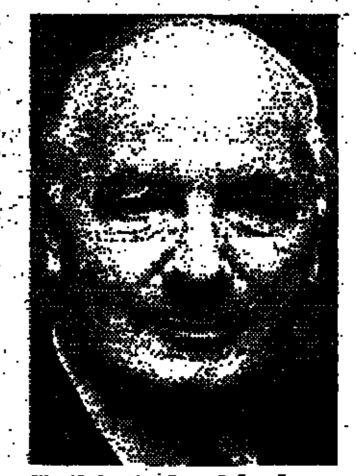
WESTPAC, Australia's biggest bank, and National Australia Bank yesterday reported sharply different interim results, but both said profits had been depressed by Australia's weak economy, and forecast a difficult second half.

Westpac reported a 55 per cent increase in operating profits to A$241m (US$188.2m), but cut the interim dividend from 25 cents to 15 cents, fully franked, to reflect the grim economic outlook.

Sir Eric Neal, chairman, said the bank had achieved the improvement by reducing operating costs, cutting bad debt charges and eliminating negative margins on housing loans.

However, he said the second half would be "subdued," and warned that the final dividend would depend on the extent of the economic recovery expected to begin in the second half of the year.

Westpac said net profit after abnormal items fell 38 per cent to A$219m after including an abnormal loss of A$22m relating to an adverse court ruling on the tax liability of Australian Guarantee Corporation (AGC), a finance subsidiary.



Sir Eric Neal: subdued second half for Westpac

However, the net figure for last year's first half was inflated by an abnormal profit of A$198m achieved by transferring surplus funds from the group's pension fund. The transfer was subsequently challenged by the banking trade union and is subject to a court action.

Westpac said charges and provisions for bad debts increased substantially in AGC and Bill Acceptance Corporation, mainly relating to property loans where asset values have fallen sharply.

The total charge for bad debts fell to A$552m from A$686m in the comparable period last year. The bank said it had made a "prudent" provision in relation to its exposure to the Adelaide Steamship group, but gave no details.

National Australia Bank said interim net profit fell by 18 per cent to A$361m after an increase of 84 per cent in bad debt charges to A$456m. The result was in the range forecast by analysts, but the bank surprised the market by cutting the interim dividend by 4 cents to 22 cents, fully franked.

Mr Don Argus, managing director, said he did not expect the economy to bottom-out until early 1992, and suggested the recovery might be delayed until the middle of the year.

Mr Argus said the bank's provisions policy was "prudent," but declined to say whether a specific provision had been made to cover its exposure to Adsteam.

NAB said its Custom Credit division made an interim loss of A$69m, in spite of a tax credit of A$46m, after charging A$131m for bad and doubtful debts. The division reported an operating profit of A$18m in the comparable period of last year.

The bank said its UK and Irish banking businesses contributed A$166m, compared with A$126m in last year's first half. However, the result included a full six-month contribution from Yorkshire Bank for the first time. NAB also owns Northern Bank and National Irish Bank in Ireland, and Clydesdale in Scotland.

The small Perth-based Challenge Bank said it would pass the dividend after interim net profit fell from A$7.9m to A$1.1m after a charge of A$14.5m for bad and doubtful debts – double last year's level.

Burns Philp and QBE unravel holdings

By Kevin Brown

BURNS Philp and QBE Insurance, two of Australia's oldest companies, ended a 105-year-old relationship yesterday by unwinding their cross-shareholdings in deals worth A$433m (US$338.20m).

Burns Philp, a food and hardware group, said it would receive A$317m for its 45 per cent holding in QBE, which is selling its holding of just under 11 per cent in Burns Philp for A$116m.

The shares are being placed with Australian and international investors.

The relationship between the two companies dates back to 1886, when QBE's predecessor was established by Burns Philp to insure the company's shipping fleet.

No direct commercial links between the companies remain, but Burns Philp said it would continue to place the bulk of its insurance with QBE, which will hold a small parcel of Burns Philp shares and convertible notes as an investment. Burns Philp said the two companies had "reached a point where future expansion and development opportunities required them to go their separate ways.

"Burns Philp's clear commitments to its food and hardware operations make it preferable for QBE to seek a shareholder base committed to the insurance industry and prepared to fund future developments."

It said it would make a book profit of around A$117m from the sale of its shares at A$8.70, compared with the market price of A$7.46.

Earnings tumble at Japanese brokerages

By Emiko Terazono in Tokyo

EARNINGS for Japan's 10 second-tier brokerages fell sharply for the year to March 1991, with some recording losses due to last year's sharp fall in the stock market.

The small and medium-sized securities houses, which rely heavily on brokerage commissions, were hurt by the average 7 per cent cut in stock brokerage commissions last June and the low turnover in the stock market following the crash. Income from commissions fell around 40 per cent at most brokerages.

New Japan Securities, Kankaku Securities, Sanyo, Yamatane and Daiichi have decided not to pay summer bonuses to board directors, while others will be cut by up to 50 per cent.

The second-tier brokerages were also hurt by their extensive investments in computer and dealing equipment. Concern over the deteriorating market has led some to look at reducing costs by cutting computerisation schemes sharply, and by moving back-office personnel into sales departments.

For the current year, the securities houses are projecting moderate increases in pre-tax profits and operating income, but due to the volatile markets, brokerage officials continue to be pessimistic.

● New Japan Securities' pre-tax profits fell 89.1 per cent to Y5.4bn ($39m), with operating income declining 25.6 per cent to Y154.1bn.

● Sanyo Securities' pre-tax profits fell by 94.7 per cent to Y2.4bn, while operating income fell 29.4 per cent to Y115.3bn. It posted losses of Y1.1bn in its bond trading and Y371m in its warrant trading business.

BIG FOUR SECURITIES FIRMS

	Operating income Ym	Profit on securities dealings Ym	Pre-tax profit Ym
Nomura	686,316 (-30.2%)	100,266 (-24.4%)	233,531 (-52.2%)
Daiwa	477,400 (-27.7%)	27,518 (-48.8%)	119,302 (-61.9%)
Nikko	376,572 (-37.3%)	-19,846 (-)	72,947 (-72.0%)
Yamaichi	360,175 (-37.2%)	6,249 (-59.6%)	67,553 (-71.1%)

● Kankaku Securities' pre-tax profits fell by 90.7 per cent to Y4.1bn on operating income of Y128.8bn, a 28.6 per cent decline. The brokerage lost Y3bn in its warrant trading business.

● Wako Securities' pre-tax profits posted a 73.3 per cent decline at Y12.7bn, with operating income declining 28.8 per cent to Y107.2bn. It suffered losses in both its bond and warrant trading accounts.

● Yamatane Securities and Daiichi Securities both posted pre-tax losses of Y2.6bn and Y9.8bn respectively. Operating income fell 51.4 per cent to Y29.8bn at Yamatane and 36.3 per cent to Y42.1bn at Daiichi.

● Securities trading at Yamatane, Cosmo and Daiichi fell into the red. Yamatane lost Y7.5bn due mainly to a Y3.8bn loss in stock trading and Y3.4bn in bond trading. Cosmo lost Y5.6bn, mostly on stock trading, and Daiichi posted a Y6.6bn loss due to a Y2.6bn loss in stocks and a Y4.1bn loss in bonds.

Amcoal looks for increased sales abroad

By Philip Gawith

AMCOAL, the coal arm of the Anglo American group and South Africa's largest producer, was able to offset lower export revenues and post increased profits in the year to March due to increased sales to the Escom power utility.

Group turnover rose by 3.8 per cent to R1.82bn ($650m) from R1.75bn. Operating profit was 10.2 per cent lower at R412.4m, but increased interest and investment income, and a lower tax bill saw attributable earnings rise 7.5 per cent to R275.5m from R256.2m.

Mr Graham Boustred, who retired as chairman this week, said political reform initiatives would allow South Africa to play an increasing role in international coal markets. He cautioned, however, against inflated expectations as to what market share South Africa could command.

Coal is South Africa's second largest foreign exchange earner, after gold, with industry export earnings rising R206m to R3.8bn in 1990. Last year, Amcoal exported 9.9m tonnes, 21 per cent of the country's total exports of 47.4m tonnes.

In the domestic market, Amcoal's sales to Escom increased by 3.6 per cent from 29.9m to 31m tonnes.

Earnings per share rose by 6.9 per cent to R10.96 from R10.25 and the dividend was 10.4 per cent higher at 425 cents per share.

Nintendo doubles profit

By Emiko Terazono in Tokyo

NINTENDO, the game-maker which started the video game craze with its cartridge-based computer games, doubled profits in the the year to March 1991.

The company's consolidated pre-tax profits rose to Y141.5bn, ($1.01bn) while sales surged 96.4 per cent to Y471.4bn. After-tax profits were also doubled, at Y68.8bn.

Sales of its game hardware operations were more than doubled to Y448.4bn.

For the current year, the company said it "could not keep on growing like a never-ending dream," and forecast a moderate 9.5 per cent in pre-tax profits to Y155bn, on the back of a 6.1 per cent rise in sales to Y500bn.

But the company said it was not concerned at the recession in the US which was currently hurting the company's business, and pointed to the launch of the new Super NES video game in the US this autumn which should bolster sales.

The recent price movements of the company's stock fail to reflect the strength in Nintendo's business. The share price, which peaked last August, has more than halved, and yesterday lost a further Y400 to Y14,300.

Canadian brewer redeems C$150m of debentures

By Bernard Simon in Toronto

MOLSON, the diversified Canadian brewer, has scaled back its ambitions in the international beer industry by redeeming C$150m of debentures, sold less than a year ago to finance a large proposed acquisition.

The debentures were part of a C$300m (US$260.8m) financing undertaken last summer when Molson was contemplating a deal with Foster's Brewing of Australia. Details of the transaction have never been disclosed, but Molson was outflanked when the Japanese brewer Asahi bought a 19 per cent stake in Foster's.

Molson and Foster's remain partners, however, in Molson Breweries, which has a 52 per cent share of the Canadian beer market and is the second largest foreign supplier to the US.

Molson announced this year it was taking a C$157.1m write-down covering its 6 per cent shareholding in Foster's troubled parent company, Harlin Holdings, and a guarantee on a portion of Harlin's bank debt.

This charge pushed Molson to a loss of C$38.7m, or $1.08 cents a share, in the year to March 31, against earnings of C$117.9m in 1990. Pre-tax earnings before the provision rose to C$183.7m from C$167.3m. Revenues fell fractionally to C$2.53bn.

Molson said a 1.2 per cent drop in Canadian beer sales last year was more than offset by cost savings flowing from the 1989 merger with Carling O'Keefe. Its other main businesses are cleaning services and a Canadian building products chain.

The quarterly dividend has been raised 2 cents to 27 cents a share, and the company proposed a three-for-two share split.

● Cement markets in north-eastern North America will remain under the spell of recession for most of 1991, warns Mr Frank de Witt, president of St Lawrence Cement, the Canadian arm of the Swiss-based Holder group, writes Robert Gibbens in Montreal.

Reflecting depressed prices, particularly in the US, the company reported a first quarter loss of C$13.1m, or 32 cents a share, against a loss of C$961,000, or 2 cents a share, a year earlier, on sales of C$59m, against C$105m.

INTERNATIONAL COMPANIES AND FINANCE

HP reports healthy rise in sales and earnings

By Louise Kehoe in San Francisco

HEWLETT-Packard reported a strong rise in sales and earnings for its second fiscal quarter, in contrast with the disappointing results of many other US computer manufacturers.

Net earnings for the quarter were $233m, or 93 cents a share, up 25 per cent from $186m, or 78 cents, in the same period last year. There are about 9m additional shares outstanding this year.

Revenue rose 12 per cent to $3.7bn from $3.3bn in the second quarter last year. Foreign sales grew by 20 per cent to $2.2bn, and US sales were lifted by 4 per cent. Revenues were spurred by strong demand for new products, a company spokesman said.

"We've had a terrific response to a number of recently-introduced products," he added. "Demand for our RISC-based work stations and the HP 95LX palmtop PC is well above expectations."

Sales of HP's printers, used with personal computers, are also growing, he said, despite a general slowdown in the US personal computer dealer channel. He said the company's order growth of 9 per cent was "satisfactory, given the difficult economic environment."

For the six-month period, net earnings rose 22 per cent to $438m, or $1.76 per share, against $359m, or $1.50, in the first half of 1990. Net revenue was $7.1bn, up 11 per cent over the first half of fiscal 1990.

The spokesman added that economic uncertainties meant the group would remained cautious.

Thomson loss blamed on Gulf war and recession

By Bernard Simon in Toronto

THOMSON Corporation, the Canadian-controlled travel and publishing group, has blamed the impact of the recession and the Gulf war in all its leading markets for the rare loss which it suffered in the first quarter.

The loss was US$56m, or 10 cents a share, compared with net earnings of US$8m, or 1cent, a year earlier. Operating profits tumbled to $14m from $78m.

A newly adopted accounting practice of amortising publishing rights and circulation cost $16m in the latest period. Last year's earnings were bolstered by profits of $21m from aircraft sales by Britannia Airways.

Sales rose by 5.3 per cent to $1.1bn.

Thomson Travel suffered an operating loss of $49m as a result of cuts in winter bookings, as well as fewer deposits received on summer 1991 holidays.

Costs were also pushed up by the repatriation of holiday-makers in the eastern Mediterranean at the outbreak of the Gulf war.

But the company said the end of the war and the collapse of International Leisure Group, its largest competitor, had restored summer bookings to 1990 levels.

Profits of the information and publishing division dipped to $17m from $22m, largely due to the poor performance of Thomson's UK regional newspapers and specialised publishing interests.

The US professional publishing business reported improved operating earnings. The company said, however, establishing new products in the US was proving to be more expensive than expected.

North American newspaper results were dragged down by a 6.9 per cent slump in advertising lineage, with earnings falling to $46m from $61m.

The decline was especially severe in Canada, where Thomson's titles include the country's main national newspaper, the Globe and Mail.

The company said it had not yet noticed any improvement in advertising lineage and was focusing its efforts on cost controls, marketing and new product development.

Air Canada moves deeper into red

By Robert Gibbens in Montreal

AIR CANADA, like most international airlines, suffered from the effects of the Gulf war, higher fuel prices and recession in North America and Europe during the first quarter, resulting in a loss of C$100m (US$87.7m), or C$1.35 a share, against one of C$13m, or 18 cents, a year earlier.

The first quarter is normally the slowest for the country's biggest airline, privatised in 1988-1989, but the latest loss was larger than most analysts had predicted.

Mr Claude Taylor, chairman, said operating revenues dipped 5.7 per cent to C$870m and expenses rose 1 per cent. Passenger traffic was down almost 20 per cent, and passenger revenues 4.4 per cent lower.

Seat capacity was cut 13 per cent; the load factor was 64.3 per cent, against 68.6 per cent; and yield per revenue passenger mile 17.7 cents, compared with 15.9 cents.

The latest loss was after taking a C$36m provision for staff restructuring and also after sharply higher interest expenses.

Air Canada is currently reducing its manning levels - both managerial and hourly-paid workers – by 3,400.

International traffic suffered most from the impact of the Gulf war and the recession, and tourism and business travel have still not returned to pre-war levels, Mr Taylor said. "The prospects for the rest of 1991 are somewhat grim, but the downward trend in expenses is encouraging."

Air Canada faces a severe cash squeeze in 1992-93 because of more than C$2bn in commitments for new equipment. It has just cancelled a $C600m order for three 747-400 aircraft scheduled for delivery in 1993, and may delay delivery of six 767-300s (C$600m) beyond 1993.

TWA offers to buy back debt securities

By Martin Dickson in New York

TRANS WORLD Airlines, the heavily indebted US carrier owned by Mr Carl Icahn, has offered to buy back much of its debt securities at knock-down prices. The offer represents the first stage of a restructuring plan which, it says, might save it from Chapter 11 bankruptcy protection from its creditors.

The airline, which is estimated to have some $1.2bn of debt outstanding, intends to fund its cash offer mainly with the $445m proceeds of its recent sale to American Airlines of three US-London routes. The move came a day after Mr Icahn apparently sold his 13.3 per cent stake in USX, the steel and energy group, for just over $1bn.

TWA, which has defaulted on a variety of borrowings and long-term lease payments this year, said it did not intend to pay any principal or interest on any of its debt securities for the foreseeable future, whether or not its offer was successful. This was partly due to its uncertain financial condition and partly because of an unusual agreement, reached last week with the union representing its machinists, which prevents it from meeting debt payments while the two sides are negotiating.

The company's offer is 73 per cent of face value to holders of its equipment trust certificates; 65 per cent for its 15 per cent secured notes; 35 per cent for its unsecured notes; and 17.5 per cent for its subordinated notes.

Some of the airline's debt-holders may be reluctant to go along with the plan because of the large discounts to face value. However, TWA pointed out that the sums being offered might exceed those available at the end of a prolonged bankruptcy hearing – and Chapter 11 could end in the airline's assets being liquidated at knock-down prices.

The airline, which reported a first-quarter operating loss of $144.4m, against $100.7m in 1990, and a net loss of $88m compared with $143m, claimed that even if all the debt were tendered it still expected to be operating at a significant loss. It threatened to file for Chapter 11 unless: all debt securities not tendered were exchanged for equity, or equity and new debt; there was a resolution of lawsuits over TWA's failure to meet interest payments on certain notes; and the airline's unions grant significant pay concessions.

Manville Trust wins asbestos claim go-ahead

A FEDERAL judge yesterday approved an agreement aimed at ending years of legal wrangling over compensation to people who suffered health damage from asbestos products of Manville, the US industrial group, writes Martin Dickson.

US Judge Jack Weinstein gave the go-ahead for a proposed class action settlement involving asbestos victims and the Manville Trust, a body set up to assume legal liabilities for health claims against the company. The settlement, filed last November, would greatly speed up the rate at which asbestos victims are compensated and would mean Manville pumping more money into the trust.

Navistar posts $29m loss

By Karen Zagor in New York

THE BURDENS of recession and fierce competition in the industry were reflected in the second-quarter results of Navistar International, the largest US truck manufacturer. Yesterday it revealed a net loss of $29m, or 15 cents a share, compared with net income of $8m, or 1 cent, a year earlier.

Combined sales and revenues fell 8 per cent to $940m from $1.03bn a year ago.

Mr James Cotting, chairman and chief executive, blamed lower industry-wide demand for medium and heavy trucks and mid-range diesel engines.

In spite of the disappointing second quarter, he said Navistar's plan to cut costs by $167m this year was on schedule.

But, he said the benefits of cost reductions had been dulled by intense competition in a depressed market and higher costs.

During the second quarter, Navistar increased its share of the North American retail market for medium and heavy trucks to 31.8 per cent from 27.7 per cent the previous year.

According to Navistar, industry retail sales of medium and heavy trucks fell 23 per cent to 56,700 units. Its retail deliveries of medium and heavy trucks slid 12 per cent to 18,000 units in the second quarter.

The company expects demand for medium and heavy trucks for the whole of 1991 to drop 19 per cent from sales of 289,000 in 1990, the lowest total industry demand since 1983.

For the first six months of 1991, Navistar reported a net loss of $67m, or 33 cents, against $10m, or 10 cents, in 1990. Combined sales and revenues fell to $1.78bn from $1.91bn.

Fruit of the Loom offers 12.75m shares

FRUIT of the Loom, the largest US maker of underwear, said yesterday it was offering 12.75m shares of common stock at $14.25 per share to reduce its debt to banks, writes Barbara Durr. None of the sale's proceeds will go to the company.

The share package comprises 7.5m from the company; 3.75m of the shares repurchased recently by Fruit of the Loom's chairman, Mr William Farley; and additional shares owned by Mr Farley and Farley Inc, a company he controls.

Of the total offering, 10.2m shares were aimed at US and Canada, underwritten by First Boston Corp and Merrill Lynch and another 2.55m shares were aimed at foreign markets, underwritten by Credit Suisse First Boston and Merrill Lynch International.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 17.05.91 Pool purchase price £/MWh	Final Prices for Trading on 18.04.91 Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.51	16.18	16.18
0100	18.47	16.16	16.16
0130	18.51	17.06	17.06
0200	18.57	23.00	24.64
0230	18.57	27.30	29.02
0300	18.51	27.30	29.01
0330	18.51	27.30	29.02
0400	16.51	19.28	20.85
0430	16.51	16.74	16.74
0500	18.51	16.29	16.29
0530	16.46	16.35	16.35
0600	16.47	16.35	16.35
0630	16.51	17.06	17.06
0700	17.06	20.81	22.43
0730	19.26	22.57	24.46
0800	21.58	27.09	29.68
0830	21.82	29.45	32.40
0900	22.14	31.19	34.52
0930	22.11	30.58	33.81
1000	22.16	32.15	35.33
1030	22.16	31.30	34.26
1100	22.23	28.57	31.46
1130	22.49	28.57	31.49
1200	22.61	28.57	31.39
1230	22.33	27.29	29.80
1300	21.82	25.63	27.86
1330	21.36	24.01	25.80
1400	21.28	22.90	24.66
1430	21.30	22.33	23.96
1500	20.65	21.16	22.75
1530	20.00	21.14	22.73
1600	20.00	21.13	22.74
1630	20.99	21.14	22.74
1700	20.99	23.44	25.10
1730	20.98	23.44	26.09
1800	20.98	23.43	26.09
1830	19.20	21.12	22.73
1900	20.88	20.00	21.59
1930	20.98	19.83	21.42
2000	18.91	19.83	21.42
2030	18.51	23.83	25.51
2100	18.91	23.83	25.46
2130	20.98	23.83	25.46
2200	20.98	23.83	25.49
2230	18.85	20.00	21.58
2300	18.35	19.86	21.44
2330	18.24	19.86	21.44
2400	18.22	16.25	16.25

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.56/MWh becomes 1.656p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

INTERNATIONAL CAPITAL MARKETS

Pannonplast shares to be placed in the west

By Nicholas Denton in Budapest

CREDIT Suisse First Boston, the investment bank, plans to place shares in Pannonplast, one of Hungary's leading plastics manufacturers, with western institutional investors.

Yesterday's announcement is the first fruit of Hungary's much-delayed First Privatisation Programme, a scheme launched last September to sell 20 of the state's least run-down companies.

Shares in Pannonplast will be placed privately in western Europe in the second half of June alongside a smaller public offering to Hungarians, said Ms Erzsebet Feher, Pannonplast's general manager.

The state, which now owns the company outright, will retain 20 per cent.

In order to make the issue attractive to western funds worried about the stock's liquidity, CSFB proposes a stock exchange listing for the company in Vienna as well as Budapest.

The launch of Pannonplast, which the accountancy firm KPMG values at Ft4.3bn ($57m), is expected to be popular because it ends a drought of large new issues. The last of a similar scale was last June's partial offering of Ibusz, Hungary's national travel agency, which was oversubscribed 23 times.

Such opportunities for institutional investors are rare because most Hungarian state-owned companies prefer joint ventures with, or acquisitions by, technical investors.

Pannonplast has the added attraction of "a very strong management, keeping up with the times," Mr Janos Bartha, managing director of CSFB Budapest, said. The company was one of the earliest to set up joint ventures, which now contain 40 per cent of the company's assets. Reluctance to offend joint-venture partners explains the decision to target the issue at institutional investors.

Despite its relatively progressive management, rising interest payments and energy costs have taken their toll on Pannonplast. Pretax profits fell by 55 per cent to Ft184m in 1990, on net revenue stagnant at Ft5400m. But Pannonplast's focus on exports to the west insulate it from the collapse of Soviet demand, a factor which has complicated other Hungarian privatisations.

Pannonplast has also avoided the delays which have plagued other companies in the First Privatisation Programme. Advisers have sometimes come into conflict with obstructive state enterprise managers and audits have taken longer than expected, among other problems.

Mexican 28-day interest rates fall below 20%

By Damian Fraser in Mexico City

INTEREST rates on Mexico's 28-day government paper (Cetes) have fallen below 20 per cent for the first time.

In Wednesday's auction, the Cetes rate fell to 19.75 per cent, a fall of 1.38 percentage points on the previous week's rate.

Analysts attributed the substantial reduction to the resolution passed on Tuesday by the US Senate finance committee and house ways and means committee in favour of granting the administration "fast track" authority to negotiate a free trade agreement with Mexico.

The fall in the Cetes rate was further helped by April's monthly inflation rate figure of 1 per cent, the lowest since September 1988, and to the increasing scarcity of government paper.

Interest rates have fallen by 6 percentage points since the beginning of the year, and by close to 20 points in the past 12 months.

The rates have fallen so far in part because of large inflows of foreign capital, attracted by Mexico's strong exchange rate.

The Mexican peso is devalued against the dollar by 40 centavos a day, or just 5 per cent a year.

Every 1 percentage-point fall in Mexico's interest rates leads roughly to a $500m cut in government debt service payments.

Nevertheless, the fall in rates may contribute to the overheating of the Mexican economy.

In its recent annual report, the Bank of Mexico reported that the narrow money supply grew by 64.4 per cent in 1990, and broad money by 46 per cent.

In response to these figures, many independent economists argue the bank should step up its sterilisation of capital inflows, thereby reducing the money supply growth.

Spanish paper jumps in scramble to beat rate cut

By Sara Webb in London and Patrick Harverson in New York

SPANISH government bond prices jumped yesterday morning as investors scrambled to buy ahead of the Bank of Spain's long-awaited cut in the official intervention rate.

But as soon as the Bank of Spain confirmed market rumours and announced a 75 basis point cut in the rate to 12.75 per cent, investors took profits and bond prices fell back sharply.

Early gains were mainly at the short end of the curve. The yield on the 13.65 per cent Treasury bond due 1994 opened at 11.55 per cent, moving to 11.34 per cent on rumours that the cut was about to be announced, and reached 11.72 per cent by late afternoon after investors took profits.

Longer-dated bonds barely responded to the interest rate cut. The yield on the 12¼ per cent Treasury bond due 2000 was unchanged at 11.56 per cent. Spain's inverse yield curve has flattened in the last five days with rates falling most among the two-to-four year maturities.

Further interest rate cuts are not expected for some time, and the money market rate curve flattened yesterday.

Though the Spanish peseta weakened slightly in response to the cut in the intervention rate, it is still trading close to the top of the exchange rate mechanism band.

Traders pointed out that foreign capital has flooded into Spanish bonds, attracted by the high yields and recent measures to remove withholding tax. Non-residents own an estimated 40 to 50 per cent of medium and long-dated Spanish government bonds. However, traders warn that if inflation figures over the next couple of months worsen, foreign investors could move out of Spain, thus removing some of the pressure on the currency.

French government bonds rallied on the back of the Spanish rate cut, but hopes that the French central bank would follow suit were disappointed.

However, traders said they expect to see a cut in the interest rate shortly, once Mrs Edith Cresson, the new prime minister, has reorganised her cabinet.

The French have applied considerable pressure recently on the Spanish to cut their rate so that the Bank of France could lower its rate, too. However, the Bank of France said it left its intervention rate unchanged at 9 per cent at a securities repurchase tender held yesterday.

German government bond prices rose yesterday, for the market had already discounted the news that Mr Karl Otto Pöhl, the Bundesbank president, will step down later this year.

The Liffe bund futures contracts opened at 85.09, trading between 85.06 to 85.37 before settling at 85.21 by late afternoon. Yields on the 10-year bund edged down from 8.38 per cent at Wednesday's close to 8.37 per cent yesterday.

The Bundesbank announced that the 8¼ per cent Unity fund due 2001 will be reopened next week, adding a further DM3bn to the DM7bn which has already been issued. The Bundesbank will use the extra supply for intervention purposes. The Unity fund was launched specifically to help cover the cost of German reunification.

■ UK government bonds barely moved in thin trade ahead of the results of the Monmouth parliamentary by-election and today's retail prices index.

The market expects the Conservative party's majority in Monmouth to be overturned, thereby ruling out the possibility of an early general election.

The RPI figures are expected to show a sharp fall in the inflation rate, but the market remains confused as to whether a base rate cut will follow immediately or whether the Bank of England will wait a few more weeks before lowering the rate.

■ US BOND prices firmed slightly at the long end yesterday morning in the wake of mixed unemployment and housing data.

By midday, the benchmark 30-year Treasury issue was up ⅛ at 97⅞, to yield 8.313 per cent. The two-year note was unchanged at 100⅛, yielding 6.806 per cent.

The dominant factor in the market remains supply. Next week the Federal Reserve will sell $12.5bn of two-year notes, $9.25bn of of five-year notes and $16bn of 335-day cash management bills. The size of the sales are a reminder to the market of the government's large refunding needs, and are likely to prevent bond prices from taking any significant strides forward.

The economic news of the day was mixed. Initial unemployment claims in the week ended May 4 rose by 4,000, a smaller increase than expected but still indicative of the upward trend in the jobless figures. Housing starts increased by 6.2 per cent in April, a rise slightly above expectations. However, there was better news for bonds in the 3 per cent decline in building permits, which are regarded as useful indicators of future construction activity.

Fed funds traded above the Fed's 5¾ per cent target throughout the morning, standing at 5⅞ per cent at midday.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-20	+01/32	10.50	10.42	10.64
		9.000	03/00	92-15	-05/32	10.32	10.11	10.08
		9.000	10/08	91-04	-08/32	10.09	9.90	9.84
US TREASURY *		8.000	05/01	99-08	+04/32	8.11	8.03	7.98
		8.125	05/21	97-29	+07/32	8.32	8.22	8.14
JAPAN	No 119	4.800	6/99	88.4210	+0.094	7.05	7.10	7.02
	No 129	6.400	03/00	98.7724	+0.083	6.62	6.69	6.65
GERMANY		9.000	01/01	103.6500	+0.170	8.42	8.41	8.38
FRANCE	BTAN	9.000	02/96	100.1636	+0.261	8.93	8.93	9.03
	OAT	9.500	01/01	104.0100	+0.120	8.85	8.80	8.83
CANADA *		9.750	06/01	100.7500	-	8.63	9.54	9.54
NETHERLANDS		8.500	03/01	99.1100	+0.220	8.63	8.62	8.58
AUSTRALIA		13.000	07/00	113.8832	-	10.59	10.92	11.06
BELGIUM		10.000	08/00	104.9000	-0.100	9.17	8.91	8.92

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on May 16

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101⅞	102⅛	+⅛	7.70	BAYERISCHE VEREINS INT 7 94 LFr	600	93¼	94¼		9.54
ALBERTA PROVINCE 9 3/8 95	600	103⅛	104		8.34	KREDIETCORP 7 93 LFr	1000	94⅞	95⅞	+⅛	9.63
AUSTRIA 8 1/2 00	400	98⅞	99		8.70	WORLD BANK 8 96 LFr	1000	95⅞	96⅜		9.14
BANK OF TOKYO 8 3/8 96	100	99	99½		8.62	AMRO BANK 6 1/4 92 Fl	150	96	96¼		9.76
BELGIUM 9 1/8 92	400	101¾	102¼	-½	7.64	RABOBANK 5 3/4 93 Fl	150	94⅝	95¼		9.19
BFCE 7 3/4 97	150	98	98⅜		8.19	ALBERTA PROVINCE 10 92 C$	500	100⅛	100½		9.82
BNP 8 5/8 94	300	102	102⅜		7.88	BCE INC 9 5/8 93 C$	300	99⅛	99⅝		10.13
BP CAPITAL 9 5/8 93	150	102⅝	103⅝		7.83	BELL CANADA 10 5/8 99 C$	150	99⅝	100½	-⅛	10.68
CANADA 9 96	1000	103⅛	103⅞		8.04	BRITISH COLUMBIA 9 1/4 93 C$	150	99	99½		9.84
[illegible]						[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

* No information available - previous day's price
† Only one market maker supplied a price

May 17, 1991

TO THE HOLDERS OF BANKAMERICA CORPORATION

Senior Euro Medium Term Notes, Series D, due June 17, 1992

Notice is hereby given that BankAmerica Corporation has elected to redeem all of its outstanding Senior Euro Medium Term Notes, Series D due June 17, 1992 in accordance with the terms of the Indenture, dated as of July 15, 1988, under which they were issued. The date fixed for redemption is June 19, 1991. The redemption price is an amount equal to 100% of the principal amount, plus accrued interest to June 19, 1991. Payment will be made upon presentation and surrender of the Notes at the offices of the Paying Agents as follows:

By Mail or In Person
Bankers Trust Company
1 Appold Street
Broadgate
London EC2A 2HE
England

Bankers Trust Luxembourg, S.A.
P.O. Box 807
14 Boulevard F.D. Roosevelt
Luxembourg
Grand Duchy of Luxembourg

On and after June 19, 1991 interest on the Notes will cease to accrue.

BankAmerica Corporation

NOTICE OF REDEMPTION

MORTGAGE FUNDING CORPORATION NO. 2 PLC

Class B-1 Mortgage Backed Floating Rate Notes Due August 2023

NOTICE IS HEREBY GIVEN to Bankers Trustee Company Limited (the "Trustee") and to the holders of the Class B-1 Mortgage Backed Floating Rate Notes Due August 2023 (the "Class B-1 Notes") of Mortgage Funding Corporation No. 2 PLC (the "Issuer") that, pursuant to the Trust Deed dated 31st August, 1988 (the "Trust Deed"), between the Issuer and the Trustee, and the Agency Agreement dated 31st August, 1988 (the "Agency Agreement"), between the Issuer and Morgan Guaranty Trust Company of New York (the "Principal Paying Agent") and others, the Issuer has determined that in accordance with the Redemption provisions set out in the Terms and Conditions of the Class B-1 Notes, Class B-1 Notes in the amount of £7,400,000 will be redeemed on 31st May, 1991 (the "Redemption Date"). The Class B-1 Notes selected by drawing in lots of £100,000 for redemption on the Redemption Date at a redemption price (the "Redemption Price") equal to their principal amount, together with accrued interest thereon are as follows:

OUTSTANDING CLASS B-1 NOTES OF £100,000 EACH BEARING THE DISTINCTIVE SERIAL NUMBERS SET OUT BELOW

Bearer Notes

8	67	130	221	320	459	555	641	724	846	906	1010	1109
9	88	146	229	341	482	568	663	769	855	946	1023	1138
40	93	151	234	368	484	582	688	774	860	960	1031	
48	98	161	257	389	542	601	698	794	863	964	1067	
51	104	179	296	431	550	604	701	799	888	970	1098	
64	115	209	298	454	554	638	702	802	891	1002	1108	

The Class B-1 Notes may be surrendered for redemption at the specified office of any of the Paying Agents, which are as follows:

Morgan Guaranty Trust Company of New York
PO Box 161
1 Angel Court
London EC2R 7AE

Morgan Guaranty Trust Company of New York
Avenue Des Arts 35
B-1040 Brussels, Belgium

Union de Banques Suisses (Luxembourg) S.A.
36-38 Grand-rue
L-2011
Luxembourg

Morgan Guaranty Trust Company of New York
30 West Broadway
New York, New York 10015
Attn: Corporate Trust Operations

In respect of Bearer Class B-1 Notes, the Redemption Price will be paid upon presentation and surrender, on or after the Redemption Date, of such Notes together with all unmatured coupons and talons appertaining thereto. Such payment will be made (i) in sterling at the specified office of the Paying Agent in London or (ii) at specified office of any Paying Agent listed above by sterling cheque drawn on, or at the option of the holder by transfer to a sterling account maintained by the payee with, a Town Clearing branch of a bank in London. On or after the Redemption Date interest shall cease to accrue on the Class B-1 Notes which are the subject of this Notice of Redemption.

MORTGAGE FUNDING CORPORATION NO. 2 PLC

By: Morgan Guaranty Trust Company OF NEW YORK, as Principal Paying Agent

Dated: 17th May, 1991

NOTICE

Withholding of 20% of gross redemption proceeds of any payment made within the United States is required by the Interest and Dividend Tax Compliance Act of 1983 unless the paying agency has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent if presenting your Class B-1 Notes to the paying agency's New York Office.

COMPANY NOTICES

EULA FINANCE PLC (IN MEMBERS' VOLUNTARY LIQUIDATION)

NOTICE IS HEREBY GIVEN, pursuant to Rules 4.182A and 11.2 of the Insolvency Rules 1986, that the Liquidators of the above company intend to make a distribution to the creditors. Creditors are required to submit full details of their claims and their names and addresses to the Liquidators, Christopher Timothy Barnard Hayward and Roger Smith both of KPMG Peat Marwick McLintock, 20 Farringdon Street, London EC4A 4PP on or before the seventh of June 1991 which is the last day for proving claims. Notice is also given that the Liquidator proposes to make a final distribution and that such a distribution will be made without regard to any claims not made by the date mentioned.

Note: the Company is able to pay all known creditors in full.

Dated: 1st May 1991

C.T.B. Hayward — R. Smith

To the Holders of
GMAC

[illegible]

FLASH LIMITED SERIES F
U.S. $30,000,000
Secured Floating Rate Notes Due 1993

In accordance with the conditions of the notes, notice is hereby given that for the three-month period 17th May 1991 to 19th August 1991 (94 days) the notes will carry an interest rate of 6.2125% p.a. Relevant interest payments will be as follows:

Notes of U.S. $100,000
U.S. $1,622.15 per coupon.

THE SANWA BANK LIMITED
Agent Bank

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, Trustee

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EVE has outlived others due to policy of fair play and value for money. Supper from 10-3.30 am. Glamorous hostesses, exciting cabaret. 189 Regent St. W1. 071-734 0557

PERSONAL

AUTHORS Your book published. Details: Excalibur Press of London, 13 Knightsbridge Green, London, SW1X 7QL

INTERNATIONAL CAPITAL MARKETS

Canon brings DM600m five-year warrant issue

By Simon London

EQUITY warrant bond issues dominated new issue activity in the market yesterday, with Canon, the Japanese electronics group, raising $725m equivalent in total.

The company's DM600m five-year issue, lead-managed by Deutsche Bank, is the largest ever warrant bond issue in D-Marks. Japanese issuers have favoured the German currency sector this year because swap rates into yen have been more attractive than from dollars.

However, despite the weight of new paper issued yesterday the warrant market was weak following a 300 point fall in the Nikkei index overnight.

Canon's $370m issue, lead-managed by Yamaichi International, traded up to 100¾ bid, against an issue price of par. The D-Mark deal suffered more, partly because Japanese buying was less pronounced, and was quoted at around 98.50 bid, still inside full fees of 2¼ per cent.

The Euroyen sector yesterday absorbed its third large issue by a non-Japanese borrower in a week, following a Y30bn deal from KFW last Friday and Monday's Y50bn offering by the World Bank.

INTERNATIONAL BONDS

The Inter-American Development Bank came with a Y35bn five-year issue, lead-managed by IBJ International. The terms of the issue are close to the five-year KFW issue led by IBJ last week, with paper being offered with a coupon of 7 per cent and re-offered to investors at the fixed price of par.

European and US investors are hungry for yen-denominated paper, although supply in the international market has been over-shadowed by a stream of large domestic issues in Tokyo.

While the World Bank opted to issue at the 10-year maturity, IBJ said it saw better demand at five years. Investors moving into yen bonds in anticipation of an appreciation of the currency are less willing to extend the duration of their holdings beyond five years.

Demand for quality remains strong at the longer maturities as well, however, and the market could support more longer-dated issues from sovereign or supranational borrowers.

Investors hoping for broad convergence of European interest rates have been building holdings of Finnish markka bonds.

Yesterday, Deutsche Bank issued FM300m five-year bonds via Deutsche Bank Capital Markets, the second issue of the week. It carries a coupon of 11.25 per cent and was priced at 101.80. The deal traded at less 1⅝ bid, inside full fees of 1⅞, for a yield of 11.20 per cent.

Many of the bonds were placed with European institutions, but the lead manager commented that the deal prompted interest from investors new to the sector.

Further issues could follow if currency swaps can be arranged.

Turkey increased the size of its five-year D-Mark bond issue to DM250m from DM200m in the face of strong demand from mainly German retail investors.

● PT Indocement Tunggal Prakarsa, the Indonesian cement company which is the largest company listed on the Jakarta Stock Exchange, plans a $100m convertible Eurobond issue, lead managed by Goldman Sachs.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Canon Inc.(a)♦	370	4	100	1995	2¼/1½	Yamaichi Int.
Tokai Kogyo Co.(a)♦	100	4	100	1995	2¼/1½	Nomura Int.
D-MARKS						
Canon Inc.(a)♦	600	4	100	1995	2¼/1½	Deutsche Bank
Miura Co.(a)♦	100	4	100	1995	2¼/1½	Nomura Europe GmbH
Republic of Turkey(b)†	250	10½	100½	1996	2/1¼	Commerzbank
FINNISH MARKKA						
Deutsche Bk Fin.(Curacao)(a)†	300	11¼	101.80	1996	1⅞/1¼	Deutsche Bk Cap.Mkts.
SWISS FRANCS						
Mobil Aust.Fin.(a)♦♦†	100	6¾	101¼	1996	-	SBC
Okobank(a)†	75	7	102	1998	-	J. Henry Schroder Bank
YEN						
Inter-American Devt.Bank(a)†	35bn	7	101⅞	1996	1⅝/0.15	IBJ Int.

♦♦Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Amount increased from DM200m. Non-callable.

Swiss creditors vote to accept Bond deal

BOND Corporation's Swiss creditors yesterday voted for a scheme to convert debt into equity that could secure them up to 19.8 cents in the dollar, writes William Dullforce in Geneva.

According to estimates from Ferrier Hodgson, Australia's leading insolvency consultants, quoted yesterday by Mr Tim McGrath, executive director of the embattled Australian conglomerate, creditors stand to recover up to 19.8 cents in the dollar under the scheme compared with 1.5 cents if Bond Corp goes into liquidation.

This was the first vote by foreign creditors. According to Mr McGrath, 94.1 per cent of Swiss bondholders represented and 92.6 per cent by value of the debt voted in favour.

Asian bank aims to lift borrowing sharply

By Tracy Corrigan in Hong Kong

THE ASIAN Development Bank plans to increase its borrowing programme in the international capital markets sharply in the next few years.

Its target of $1.5bn this year will rise to $2bn next year and may reach $2.5bn in 1993, Mr Kimimasa Tarumizu, the bank's president, told the Association of International Bond Dealers' annual meeting in Hong Kong yesterday.

The ADB has already completed $820m of this year's funding programme.

During the second half of the year, the bank is likely to issue bonds in yen, Swiss francs, D-Marks, and either guilders or schillings, Mr Tarumizu said.

The ADB is also considering launching a deal in the Australian domestic market, which was recently opened to sovereign and supranational borrowers.

In addition, the bank may issue a global bond offering in yen, which would be the first of its kind.

Some of the funds will be used to foster the development of regional capital markets in the Asia Pacific region, he said.

The bank has promoted the establishment of financial intermediaries in these markets and may invite some regional banks to participate in issues.

● The Hong Kong government plans to start issuing two or three-year government bonds before the end of the year, according to Hong Kong's financial secretary, Mr Piers Jacobs, speaking at the AIBD meeting.

Proposals to allow government bonds to be issued in paperless form, and exempt from tax and stamp duty, were introduced to the Legislative Council on Wednesday.

The proceeds will be used to finance capital expenditure.

Hong Kong's short-term market in Exchange Fund Bills, which started in March last year, has outstandings of HK$11bn.

Mexico succeeds in a fair exchange

Damian Fraser on the route to the successful privatisation of Telmex

THREE years ago, a successful multi-billion dollar privatisation of Telmex, Mexico's telephone company, appeared improbable.

Mexico's telephone monopoly was appallingly managed, badly regulated, strangled by its unions and an array of government taxes that made long-term planning next to impossible.

More to the point, Mexico and Mexican companies, were in effect barred from the international capital markets.

Nevertheless, the privatisation of Telmex draws to a close this week with a $2bn international offering for up to 14 per cent of the stock. If successful, it will be – by some measures – the second-largest global share offering ever.

The offering marks the culmination of a privatisation first announced in September 1989. In December last year, Grupo Carso, led by Mr Carlos Slim, a dynamic Mexican businessmen, Southwestern Bell and France Telecom purchased a controlling 20.4 per cent stake in the company for $1.76bn.

The improbable success of Telmex's privatisation is a testament to Mexico's economic progress in the past three years. As one broker close to the privatisation remarked: "Buying a country's telephone company is as close a proxy to buying its economy as possible." Since January 1 the Mexican *bolsa*, fuelled by foreign enthusiasm over Mexico's economic prospects, has gained 60 per cent.

The stock market boom aside, the Mexican Finance Ministry deserves much of the credit for the successful privatisation by deciding to reform Telmex before selling it off – a step the Argentine government avoided when privatising its telephone company, Entel.

The Mexican decision was helped by the appointment of Mr Pedro Aspe, the minister of finance, as chairman of Telmex. Telmex and his ministry worked together in promoting the privatisation, rather than, as was frequently the case in previous Mexican privatisations, against each other.

Mr Aspe, as chairman, almost immediately reformed Telmex's inefficient tariffs and taxes. Until January 1990, the Telmex customer paid some of the highest tariffs in the world for long-distance and international calls, and some of the lowest for local calls. The Telmex customer then paid an array of taxes – in some cases a 15 per cent value added tax, a 35 per cent telephone tax, and a 20 per cent earthquake tax, on top of the bill.

The combination of heavily-subsidised local calls and excessive taxation meant that Telmex had insufficient investment funds to meet pent-up demand. According to an 1989 American Telephone and Telegraph survey of 37 countries, Mexico had just 5.6 lines per 100 per inhabitants, ranking 34th in the survey, ahead of Iran, Thailand and India.

As from January 1 1990, the telephone tax was abolished and Telmex was allowed to keep the revenues. A new telephone tax was designed so that Telmex could offset almost all of the tax by investing heavily in networks. Telmex started charging for local calls, raised service charges, increased long-distance rates by 42 per cent, while cutting international charges. Profits in 1990 subsequently doubled those in 1989, reaching $1.1bn. Over the next six years, regulation of telephone prices is lenient. Telmex can raise the average tariff on the basket of telephone charges by an amount equal to the rate of inflation, and must eliminate cross-subsidisation between long-distance and local calls.

The government also set about taming Mexico's powerful telephone union, which had obstructed the introduction of new technology in Telmex. In a labour contract, signed in 1989, one collective wage agreement replaced 57 departmental ones, 500 levels of salary were reduced to 41, and, most crucially, the union promised to allow new technology into Telmex.

The union was later offered 4.4 per cent in the newly-privatised Telmex, worth nearly $10,000 per worker. It has since become an ardent supporter of the privatisation.

The final ingredient was the change in Telmex's capital structure on June 15 last year. The government divided 60 per cent of Telmex's equity into non-voting ("L" shares), and 40 per cent into voting shares ("A" shares). Thus, control in Telmex could be had for a mere 20 per cent of the total equity. Further, Mexican control of a controlling group could be had for just 10 per cent of the equity.

This capital restructuring did not simply satisfy Mexican xenophobia. By bringing in foreign telephone companies at the first stage of the privatisation, the government boosted the value of Telmex in the second-stage global offering.

In December, Grupo Carso paid just $2.04 an A share; on Monday, investors were asked to pay an equivalent of $3.41.

Mexican critics of the privatisation claim the government has been too concerned with raising money from the privatisation and too unconcerned with the competitive consequences of the sale. They say that the new concession was too generous to Telmex, and that the Finance Ministry should have split Telmex up into several regional carriers and a long-distance one before selling it off.

However, if Telmex had been split up, investor interest in the poorer and underdeveloped southern part of the country may have been slight, and standards would then have differed markedly within the country.

Further, the creation of a monopoly has enabled the government to demand that the new owners make substantial investments in Telmex over the next decade. Mr Aspe says the government is mainly privatising investment in the telephone company, rather than just the provision of telephone services. In the next five years, Telmex has to invest $14bn and increase lines in service by 12 per cent a year.

Helped by Telmex's successful road-show, other Mexican private companies have returned to the international capital markets, for the first time in a decade.

Further, in a country crippled by budget deficits for the best part of a decade, the government has raised almost enough money from the privatisation (about 1 per cent of GDP) to run a budget surplus this year.

And, not least, Mexico may have a decent telephone system by the end of the decade.

Cedel may accept compromise with Euroclear

By Tracy Corrigan

CEDEL, one of the two Eurobond clearing houses is prepared to accept a compromise solution to a dispute on the exchange of clearing information with its rival Euroclear.

Mr Andre Lussi, Cedel's chairman, who is to announce his decision at the Association of International Bond Dealers' annual meeting in Hong Kong today, said he hopes a legal agreement will be signed in a matter of weeks.

The agreement will end a long-running dispute between the two companies, both of which have now given some ground.

Mr Lussi said the agreement will eliminate 70 per cent to 80 per cent of the US$40m in costs to Eurobond trading firms every year, as a result of late delivery under the current system.

Last year, the two firms agreed to renegotiate their 1980 "bridge" agreement on exchanging settlement information but, despite mediation by AIBD, the two parties feared to have reached stalemate.

Now, Cedel has decided to accept a compromise based on a Euroclear proposal put forward late last year, which incorporate multiple exchanges of files during the day, so that interest due on bonds does not have to be back-dated because of a slow exchange procedure.

However, it does not include delivery versus payment, a concept favoured by some regulators.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday May 16 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Wed May 15 Index No.	Tue May 14 Index No.	Mon May 13 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (186)	831.36	+0.4	11.24	5.84	10.91	14.65	827.68	830.52	837.23	861.18
2 Building Materials (24)	1100.37	+1.2	10.50	5.63	11.70	20.95	1087.64	1084.77	1089.43	1069.52
3 Contracting, Construction (31)	1329.11	+1.1	9.23	6.05	14.20	28.94	1314.97	1314.00	1318.42	1349.58
4 Electricals (10)	2359.43	+0.8	11.15	5.67	11.43	40.46	2340.50	2347.83	2371.04	2431.94
5 Electronics (25)	1745.77	-0.1	8.96	5.14	14.87	4.09	1746.88	1748.98	1756.42	1891.05
6 Engineering-Aerospace (8)	434.77	+0.2	16.05	5.76	7.49	10.60	433.98	433.21	436.53	452.68
7 Engineering-General (47)	436.87	-0.2	12.83	6.01	9.41	8.07	437.82	440.71	443.06	462.78
8 Metals and Metal Forming (8)	451.68	-0.7	19.79	7.64	6.23	0.59	455.02	454.07	456.94	486.67
9 Motors (13)	324.30	+0.2	12.46	7.49	9.48	9.89	323.60	322.06	325.85	338.78
10 Other Industrial Materials (20)	1479.66	+0.5	9.58	5.49	12.28	31.60	1472.54	1493.02	1515.46	1556.98
21 CONSUMER GROUP (187)	1443.52	+0.1	8.32	3.74	14.81	12.84	1442.46	1448.14	1460.03	1247.68
22 Brewers and Distillers (22)	1808.43	+0.5	8.56	3.63	14.31	14.86	1799.09	1796.73	1810.16	1474.71
25 Food Manufacturing (20)	1159.18	+0.4	9.95	4.22	12.40	15.95	1154.29	1155.72	1164.30	1075.66
26 Food Retailing (16)	2733.76	-1.8	8.13	3.03	16.08	16.72	2782.77	2797.20	2811.81	2356.77
27 Health and Household (21)	3200.34	+0.2	6.00	2.69	19.03	20.81	3194.60	3225.29	3265.82	2553.62
29 Hotels and Leisure (23)	1314.94	-0.5	10.33	5.27	11.42	17.30	1321.35	1320.63	1332.24	1405.55
30 Media (25)	1454.74	+1.0	9.38	4.72	13.57	20.96	1439.81	1435.60	1447.65	0.00
31 Packaging, Paper & Printing (16)	666.26	+1.0	8.13	4.95	15.40	11.81	659.60	662.03	672.82	572.25
34 Stores (33)	908.82	+0.1	8.84	4.01	14.76	3.42	908.03	916.55	919.68	776.47
35 Textiles (11)	537.14	-0.7	10.17	6.00	12.20	8.01	540.86	540.61	541.13	467.42
40 OTHER GROUPS (108)	1222.42	+0.6	9.65	4.97	12.72	10.01	1215.55	1213.12	1219.70	1140.64
41 Business Services (13)	1216.05	+0.3	10.94	5.35	11.23	11.45	1212.06	1209.98	1212.77	0.00
42 Chemicals (21)	1373.52	+2.5	8.39	5.21	13.71	24.59	1340.06	1302.68	1273.92	1232.98
43 Conglomerates (10)	1510.30	-0.1	10.10	6.87	11.94	13.24	1512.09	1508.49	1536.40	1606.32
44 Transport (14)	2211.81	+0.9	11.14	4.67	11.09	26.91	2191.66	2191.14	2214.00	2198.41
45 Electricity (14)	1208.19	+1.2	11.47	5.52	10.92	0.00	1193.97	1191.06	1204.85	0.00
46 Telephone Networks(4)	1440.13	+0.1	9.22	3.47	14.12	0.00	1439.00	1448.99	1464.12	1154.90
47 Water(10)	2473.72	+1.2	13.71	5.66	8.15	39.69	2444.40	2444.04	2476.89	1930.77
48 Miscellaneous (22)	1837.13	-0.8	6.40	5.09	19.98	21.46	1851.23	1861.97	1860.11	1728.83
49 INDUSTRIAL GROUP (481)	1225.94	+0.3	9.33	4.56	13.17	12.75	1222.20	1224.55	1233.47	1130.75
51 Oil & Gas (19)	2340.48	+0.6	10.76	5.69	12.11	40.03	2327.34	2340.25	2366.98	2320.72
59 500 SHARE INDEX (500)	1321.09	+0.3	9.52	4.70	13.02	14.90	1316.63	1319.77	1330.08	1229.85
61 FINANCIAL GROUP (97)	806.22	+1.2	–	5.87	–	17.76	797.01	796.81	807.59	784.50
62 Banks (9)	898.20	+1.2	7.70	6.16	18.83	21.93	887.52	888.34	906.44	837.58
65 Insurance (Life) (7)	1478.90	+1.3	–	5.60	–	41.64	1460.16	1460.70	1474.37	1335.52
66 Insurance (Composite) (6)	675.64	+1.5	–	6.49	–	20.23	665.34	662.06	672.37	664.32
67 Insurance (Brokers) (8)	1098.37	+1.7	7.18	6.12	18.12	21.24	1080.52	1088.30	1097.13	1062.89
68 Merchant Banks (7)	429.77	+1.5	–	4.71	–	4.47	423.36	422.83	425.02	432.44
69 Property (40)	986.45	+0.6	6.48	4.75	21.25	7.83	980.87	978.99	982.75	1083.02
70 Other Financial (20)	286.30	+0.2	9.19	6.31	13.51	4.41	285.60	286.80	287.77	301.93
71 Investment Trusts (70)	1205.86	+0.1	–	3.48	–	12.42	1205.08	1210.63	1211.12	1187.03
99 ALL-SHARE INDEX (667)	1196.09	+0.4	–	4.83	–	15.23	1190.82	1193.31	1203.31	1122.46

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 15	May 14	May 13	May 10	May 9	Year ago
FT-SE 100 SHARE INDEX‡	2471.9	+12.5	2481.1	2454.6	2459.4	2463.7	2486.6	2524.3	2541.8	2284.4

FIXED INTEREST

PRICE INDICES	Thu May 16	Day's change %	Wed May 15	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (28)	121.03	+0.09	120.92	1.91	4.29
2 5-15 years (29)	130.14	+0.04	130.10	2.21	5.15
3 Over 15 years (8)	136.57	-0.02	136.59	1.80	5.02
4 Irredeemables (6)	149.30	+0.03	149.26	0.62	6.11
5 All stocks (70)	129.46	+0.05	129.39	2.08	4.92
Index-Linked					
6 Up to 5 years (1)	158.63	....	158.62	0.01	2.72
7 Over 5 years (10)	146.92	-0.01	146.94	0.86	1.52
8 All stocks (11)	147.81	-0.01	147.83	0.83	1.56
9 Debs & Loans (56)	110.24	+0.04	110.19	2.62	3.47

AVERAGE GROSS REDEMPTION YIELDS		Thu May 16	Wed May 15	Year ago (approx.)
British Government				
1 Low	5 years	9.19	9.22	11.40
2 Coupons	15 years	9.80	9.80	11.07
3 (0%-7¾%)	20 years	9.95	9.95	10.92
4 Medium	5 years	10.38	10.40	12.42
5 Coupons	15 years	10.25	10.25	11.39
6 (8%-10¾%)	20 years	10.17	10.17	10.95
7 High	5 years	10.56	10.58	12.54
8 Coupons	15 years	10.41	10.40	11.69
9 (11%-)	20 years	10.30	10.28	11.23
10 Irredeemables	†	10.18	10.18	10.82
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.83	3.84	5.17
12 Inflation rate 5%	Over 5 yrs.	4.15	4.15	4.16
13 Inflation rate 10%	Up to 5 yrs.	3.02	3.03	4.06
14 Inflation rate 10%	Over 5 yrs.	3.98	3.97	3.97
15 Debs &	5 years	11.88	11.88	14.90
16 Loans	15 years	11.63	11.63	13.75
17	25 years	11.42	11.42	13.42

‡Opening index 2464.1; 9 am 2458.0; 10 am 2471.7; 11 am 2480.9; Noon 2476.9; 1 pm 2474.8; 2 pm 2474.6; 2.30 pm 2476.7; 3 pm 2473.4; 4.10 pm 2470.9; (a) 10.52am (b) 8.42am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	32	21	31
Corporations, Dominion and Foreign Bonds	2	2	16
Industrials	257	285	990
Financial and Properties	123	97	522
Oils	15	24	53
Plantations	0	2	8
Mines	38	31	94
Others	46	67	51
Totals	513	529	1,765

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

[illegible] rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings May 7
- Last Dealings May 24
- Last Declarations Aug. 8
- For settlement Aug. 19

For rate indications see end of London Share Service

Calls: Aran Energy, Berisford Intl., Burton, Betterware, Creighton, Ex Co Louisiana, Hanson Wts., Oliver Res., Rotork, Thames TV, SmithKline Beecham. Puts: Ratners. Put & Call: Brent Walker, ICI, Ratners.

LONDON TRADED OPTIONS

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HANSON AND ICI

Bankers question Hanson's ability to fund a cash bid

By Maggie Urry and Stephen Fidler

WHILE the City was still wondering whether or not Hanson's stake in ICI was a prelude to a full bid, attention was turning yesterday to the question of how Hanson could finance such an acquisition.

If Hanson was to pay cash for ICI its balance sheet would look hideously overstretched, at least until it could raise money through disposals. On the other hand, if it were to issue shares, the prospect might be for earnings dilution, although it is almost impossible now to make detailed forecasts of the profits and earnings of a combined group.

In theory Hanson easily has the borrowing powers to buy ICI. It can borrow up to 2½-times its shareholders' funds plus written-off goodwill – giving at present a total of £17bn.

Hanson's latest balance sheet, at March 31, showed gross debt of £7.2bn and cash and investments of £7.4bn. Thus if it were to pay £11bn for ICI it would need to borrow an extra £4bn. To be on the safe side Hanson might need to line up irrevocable commitments from banks for £5bn or £6bn.

But borrowing might be harder in practice. According to bankers, Hanson would have difficulty raising money from international banks to finance a cash bid – but some believed it would still be possible.

They said Hanson's biggest task would be to convince ICI's many bankers to ditch an important client for a bid which might not in any case succeed. It was unlikely, for example, that a UK clearing bank would risk its relationship with ICI and possible public opprobrium by backing Hanson. ICI's board contains a number of prominent bankers, including Sir Jeremy Morse, chairman of Lloyds.

Banks would thus weigh up the chances of success of the Hanson bid. In an election year, some doubted whether a high-profile break-up of ICI, which employs 53,000 people in the UK, would be allowed by the government, particularly if the deal involved the sale of some parts of the company to foreign bidders.

Hanson would be unable to make a cash bid unless its investment bankers were satisfied that the cash was available. In Hanson's £3.5bn bid for Consolidated Gold Fields, all cash was generated internally.

Raising the necessary funds would in itself be quite a task since banks have become extremely careful about lending large sums to corporate clients. A £5bn or £6bn loan would involve up to a dozen banks committing £500m apiece – a large commitment for a relatively large group of banks. Because of the need for secrecy, they would for a time be unable to reduce their exposure by selling down to other banks.

Although bankers said Hanson had been careful to cultivate bank relationships over recent years, they believed it would be unable to rely on its many bilateral lines of credit from banks if the money were to be used to finance a takeover bid.

Large takeover bids financed with bank credit often create problems of conflicts of interest for bankers, which are forced to choose between two clients. This conflict was most strongly felt in Sir James Goldsmith's proposed £13bn consortium bid for BAT Industries first mooted in July 1989. Many banks were reluctant to back Sir James – though, in the event, they were never formally asked to – because of their links with BAT.

Even if banks do agree to put up the cash, an acquisition financed this way could create a sizeable hole in Hanson's balance sheet. ICI's last balance sheet showed net assets of £4.7bn. If Hanson paid £11bn for ICI it would have to write off the difference in goodwill, wiping out its own net assets of £3.2bn. That would leave negative net worth of more than £3bn, a precarious base on which to balance net debt heading for £6bn, including ICI's £1.6bn of net debt.

Although the balance sheet would look somewhat precarious, the profit and loss account would be able to cope relatively comfortably with the interest on the extra debt.

One way round the balance sheet problem would be for Hanson to revalue ICI's assets upwards so that the goodwill write-down would be less. However, analysts view this sort of accounting with scepticism.

If using debt to finance the bid causes too great a problem, Hanson's solution could be to issue shares to pay for ICI. Mr Charles Pick, Hanson watcher at Nomura Research, reckons that Hanson could offer, say, six Hanson shares plus 180p in cash, convertible stock or loan notes, for each ICI share. That would mean issuing 4.2bn Hanson shares and paying £1.3bn in cash. This would be a similar to structure to Hanson's final offer for Imperial Group in 1986.

According to Mr Pick the balance sheet of the merged group would then look relatively lowly geared, with debt about 31 per cent of net assets of around £9bn, if goodwill of £3.5bn was written off. The sums would change for the worse if Hanson was forced to bid up for ICI.

But this solution also has its drawbacks. The balance sheet might look fine, but earnings dilution could become a factor. And if Hanson has any concern about its advanced corporation tax position the need to pay dividends on all those extra shares would not lessen its difficulties.

A compromise might be to finance the bid with debt to the extent that Hanson intends to raise cash from disposals, and use shares for the parts of ICI which Hanson would prefer to keep. And Hanson could try to pre-sell some of the parts of ICI.

If even the financing of a bid causes difficulties, let alone the political wrangling which would inevitably follow such a move, why should Hanson pursue ICI? Analysts believe that Hanson needs a large acquisition to keep its profits moving ahead – although the target does not have to be ICI.

The Peabody acquisition, which cost a mere £653m, is helping this year's profits to rise, in spite of the recession. Current year profits will also be buoyed by the gain on the sale of Hanson's stake in Newmont Mining, a stake which was not sold for cash but swapped for Cavenham Forest Industries, the timber group. Analysts reckon this could contribute around £135m to pre-tax profits this year, perhaps 10 per cent of the total, although Hanson does not disclose the amount.

That Newmont profit will not be repeated next year – unless Hanson finds something else to sell – and with the recession showing no signs of easing it will be harder for Hanson to raise profits in 1991-92.

If this is the motivation for the share purchase – and with Hanson itself making no comment it is still merely speculation – Hanson would appear to be moving from weakness rather than strength.

Likely targets for a break-up to recoup costs

By Clive Cookson

IMPERIAL CHEMICAL Industries includes a myriad of different businesses which might be sold off in various combinations. Almost every chemicals analyst in London has spent the past two days estimating their total value, on the assumption that Hanson intends to buy ICI and then break it up.

They have come up with figures ranging from £9bn to £15bn – or from £12.5 to £21.5 per ICI share – depending on how quickly Hanson tries to sell on the businesses and how well the chemicals industry recovers from its cyclical downturn.

It is relatively easy to apply reasonable price-earnings ratios to projected profits for ICI's main business sectors, and produce break-up values like those in the table below.

In practice, selling off ICI piece by piece would take several years and would require an enormous amount of management time, as well as excellent contacts inside the international chemicals industry.

Analysts believe that Hanson would try to recoup most of its acquisition costs by selling the research-intensive pharmaceutical and agrochemical businesses.

Smaller high-technology businesses in the specialist chemicals sector, such as advanced materials, films and biological products, would also be high on the disposals list.

The low-technology bulk chemical businesses would probably be kept within the Hanson group. Many analysts predict that the global petrochemical industry will suffer from overcapacity until the mid 1990s, even if the world economy grows strongly, but Hanson would try to improve the profit margins of ICI plants by cutting costs ruthlessly.

The Tioxide pigments business, which became a wholly-owned ICI subsidiary only last December, will be a high priority for Hanson to sell. Hanson's own SCM chemical business, acquired in 1986, is another leading producer of titanium dioxide pigment and the group could face regulatory objections if it keeps both.

But ICI Pharmaceuticals is bound to be Hanson's first priority for selling. Its estimated £8bn price tag is based on the high stock market ratings applied to all international drug companies.

But it would be hard for any European or American buyer – whether a German chemicals group such as Hoechst or a US drug company such as Merck – actually to come up with £8bn cash. They would be more interested in some sort of merger or alliance with ICI Pharmaceuticals, along the lines of last year's French-US Rhône-Poulenc Rorer deal.

"We think that the Japanese might be a buyer of ICI Pharmaceuticals," said Paul Mylchreest of brokers Credit Lyonnais Laing.

The top half a dozen Japanese drug companies are anxious to expand into the global market and any one of them could raise the funds to buy ICI Pharmaceuticals.

Since the UK has four other internationally successful drug companies – Glaxo, SmithKline Beecham, Wellcome and Fisons – it would be difficult to claim on grounds of strategic national interest that ICI Pharmaceuticals should not be sold on to a foreign buyer.

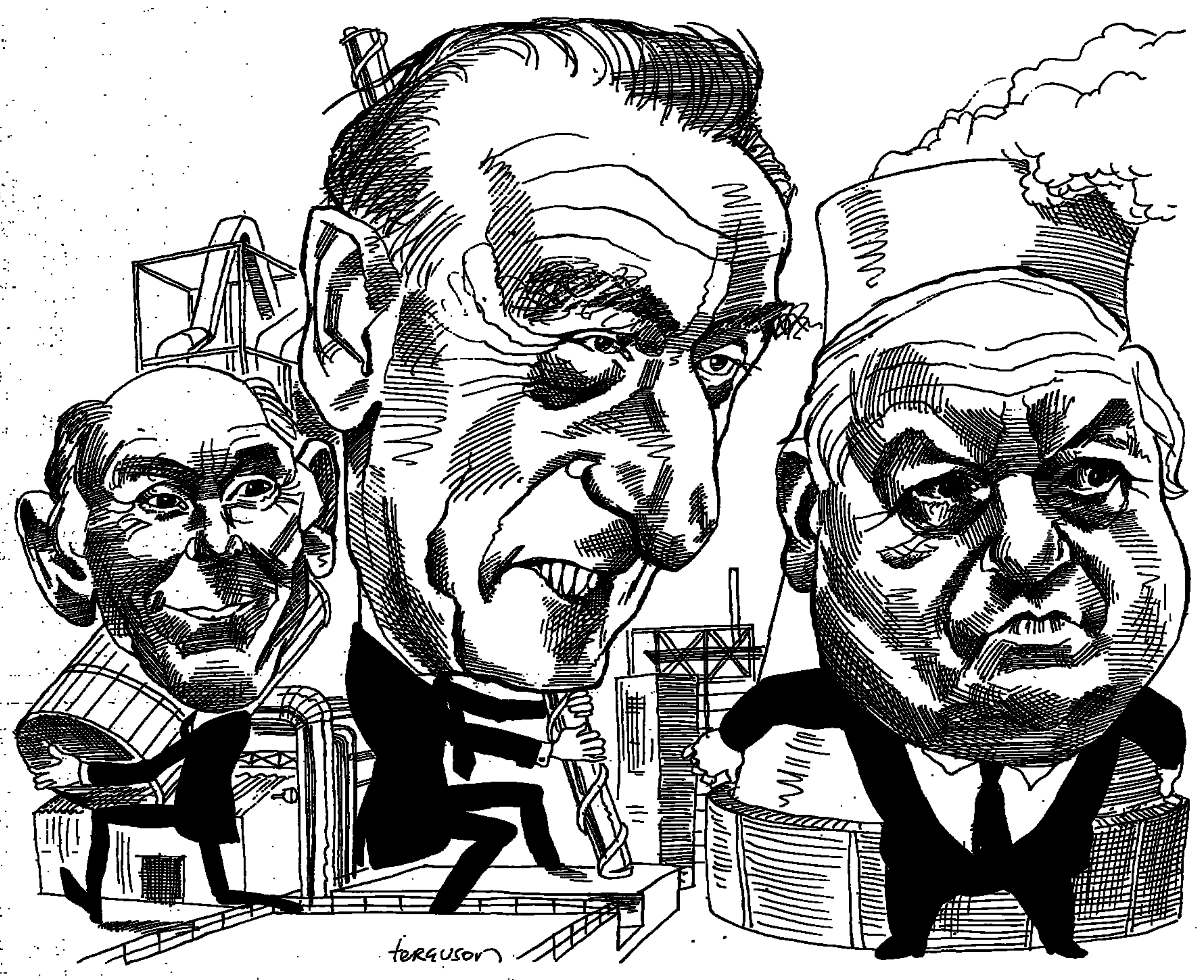
ICI Agrochemicals would be easier for Hanson to sell. The international agricultural chemicals industry is now in a period of restructuring and consolidation, and a number of European and American companies could afford to buy ICI's highly regarded business – one of the world's three largest manufacturers of pesticides and herbicides.

However ICI is the UK's main centre of agrochemical expertise and Hanson would face strong political objections and regulatory obstacles in selling it on.

ICI IN TEN PIECES

Business area	Sample brand/product	1990 sales	1990 Trading profits	Estimated break-up value
Pharmaceuticals	Inderal heart drug	£1,415m	£489m	£8.0bn
Paints	Dulux paint	£1,838m	£108m	£1.0bn
Specialist chemicals	Novacote adhesive	£2,321m	£ 3m	£1.0bn
Industrial chemicals	Klea refrigerant	£2,000m	£153m	£1.3bn
Petrochemicals & plastics	Perspex sheeting	£2,891m	£103m	£1.3bn
Fibres	Tactel textile	£ 700m	£ 18m	£0.3bn
Explosives	Exel detonator	£ 510m	£ 50m	£0.5bn
Pigments	Tioxide white	£ 700m	£100m	£0.4bn
Agrochemicals & seeds	Fusilade herbicide	£1,362m	£110m	£1.1bn
Fertilisers	Nitram fertiliser	£ 856m	£ 12m	£0.1bn
TOTAL				£13.0bn

Source: ICI data and FT estimates



Institutional investors surprised and baffled

By David Owen

HANSON'S move has provoked surprise and bafflement among UK institutional investors and prompted some of them to consider adjusting their holdings of Hanson and ICI shares. However, no consistent pattern of buy and sell intentions was yesterday apparent.

"My main concern at the moment is my holding in Hanson," said Mr Ernie McKnight, head of UK equities at Scottish Amicable. "If he has done it for investment purposes, it makes me question why I am holding Hanson: we could buy a small stake in ICI ourselves."

"As far as ICI is concerned I think it underpins the share price," Mr McKnight added.

Mr Ron Florence, assistant general manager of Friends' Provident, said by contrast that his institution was "happy to be a holder of both companies."

"This does not necessarily have to be negative for British industry," he said. "I am sure that Hanson has thought this through."

A senior executive at another institutional investor, suggested that it might be appropriate to sell shares in either Hanson or ICI but had not decided which.

"From an investor's point of view it is right to be selling one or both of these shares – but I don't know which it would be," he said.

Mr McKnight expressed surprise at the manner in which Hanson had bought the shares. "Normally in the past when they have bought stakes they have done it quietly," he said. "I am quite sure that his brokers could have bought the shares on the market at a lower price over a few weeks."

Another common reaction was doubt that politicians would permit a takeover of Britain's largest manufacturing company to proceed.

"If it is an investment, they have managed to puff the price and they will be out next week," said one senior fund manager. "If it is a prelude to something more serious, one is astonished they can even contemplate it against the background of the current UK political situation."

"I would have thought that the government would not want this hassle at this time," said another institutional executive.

One fund manager speculated that Hanson might have restricted its investment to 2.82 per cent "because it uses all the net cash they have". The investment could "put pressure on ICI to demerge some of their businesses."

A stiff test for the Brussels merger task force

By Robert Rice, Legal Correspondent

A BID by Hanson for ICI would spark off the biggest merger investigation handled by Brussels since it got new powers to vet mergers with a European Community dimension last September.

A bid of this size would automatically require pre-notification to Brussels under the EC Merger regulation taking it initially out of the hands of the UK competition authorities.

In principle, the regulation would require pre-notification of any proposed deal within seven days of its announcement.

The pre-notification form which has to be filled in and submitted to the Commission is tough, long and detailed.

Twenty copies of the completed form and 15 copies of all supporting documents have to be submitted, creating enough paper in a case like this to fill several lorries.

To meet the pre-notification deadline Hanson would clearly need either to talk to the Commission in advance of announcing its intention to bid in order to eliminate information Brussels doesn't require (difficult to do and keep a proposed bid secret), or prepare its notification a long way ahead of announcing a bid.

Following notification the merger would automatically be suspended for three weeks and the Commission would then have one month to decide whether the deal was covered by the regulation and whether there were "serious doubts as to its compatibility with the common market."

To decide this within one month in a case of this size would provide the Brussels Merger Task Force with its stiffest test to date.

As well as consulting with a number of different services within the Commission, such as the legal service and other Directorates General which may have an interest in the case, it would want to consult the UK competition authorities.

It would also need to analyse the effect of the merger in several different and complex markets.

If after a month it decided the merger raised "serious doubts" it would initiate a formal investigation.

Hearings and requests for further information would follow.

The Commission would have to decide whether it created or strengthened a dominant position which would significantly impede effective competition in the common market or a substantial part of it.

Market share would be the most important criterion to be applied.

The regulation assumes a concentration would be compatible with the Common Market when the combined market share of the companies in any one market does not exceed 25 per cent of the EC or a substantial part of it.

The Commission must then reach a final decision within four months. If it decided the merger adversely affected competition in the EC it would block it.

If not, it would go ahead subject to the possibility of interference by the UK competition authorities if, for example, despite Brussels' view, they felt the merger threatened a "distinct market" within the UK.

If Hanson's intention is to break up ICI many of the competition objections to a merger might disappear.

Nevertheless, there are some areas of overlap in their businesses where Hanson might find it hard to find buyers for existing ICI subsidiaries.

Labour does its best to raise the temperature

By Michael Cassell, Business Correspondent

IF PART of Hanson's strategy in buying into Imperial Chemical Industries is to flush out political opinion on a possibility change of ownership for Britain's biggest manufacturing company, it has not had to wait long for the first response.

By mid-afternoon, the House of Commons chamber had heard accusations from a Labour MP that Hanson was intent upon lining its own pockets at the possible expense of workers' jobs, along with a call from a Conservative backbencher for an urgent debate on an issue with national, strategic, implications.

Westminster can become easily over-excited at the prospect of major corporate names falling victim to predators – most especially when the potential buyer is foreign, as with Ford's possible bid for Rover Group in 1986. In the case of Ford, however, MPs managed to see off the threat by leaving ministers clear that such a deal was politically out of the question.

But even when the participants are primarily British, as with BTR and Pilkington in 1986, or BAT and Hoylake last year, MPs can be quick to intervene.

Hanson, a well-publicised supporter of the government, can expect a fair wind to pursue whatever course it wants, although its close association with the Conservatives may not always help.

Its failure to wrest Powergen from state ownership may partially have been because of sensitivity over accusations of a cosy deal between friends.

As for ICI, it is still smarting from the government's refusal to allow it to sell its fertiliser business to Kemira of Finland.

Though Westminster is unlikely to get itself in a full lather unless a firm bid emerges, it is clear that any threat to the company's ability to determine its own future will provoke a parliamentary battle.

"If a bid ever materialises, Hanson can rest assured there will be one great big, almighty row," Mr Stuart Bell, the Labour MP for Middlesborough declared yesterday.

Mr Bell's constituency embraces ICI plants at Billingham and Wilton, employing about 5,000 people. Like several Labour colleagues with ICI operations on their parliamentary patches, he is vehemently opposed to any hostile takeover.

Mr Gordon Brown, Labour's trade and industry spokesman, warned, perhaps a little prematurely, of ICI's future being "at stake."

He called on Mr Peter Lilley, the Trade and Industry Secretary, to make clear his opposition to any unwelcome Hanson bid, while accusing the government of ignoring the type of public interest considerations taken into account elsewhere in Europe.

He claimed that a Hanson success could lead to a "carve-up" of ICI and might provide the green light for nothing less than the break-up of British industry.

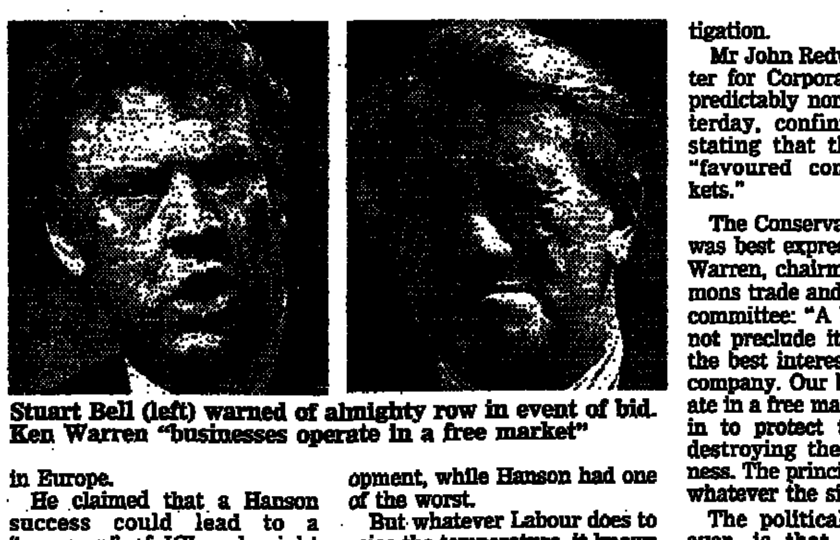
ICI, Mr Brown stressed, had one of the best investment records in research and development, while Hanson had one of the worst.

But whatever Labour does to raise the temperature, it knows that Mr Lilley will not make any public statement on the situation, for fear of prejudicing the government's position in the event of a Monopolies and Mergers investigation.

Mr John Redwood, the Minister for Corporate Affairs, was predictably non-committal yesterday, confining himself to stating that the government "favoured competitive markets."

The Conservative philosophy was best expressed by Mr Ken Warren, chairman of the Commons trade and industry select committee: "A hostile bid does not preclude it from being in the best interests of the target company. Our businesses operate in a free market. If you step in to protect them, you risk destroying their competitiveness. The principle is the same, whatever the size."

The political reality, however, is that, whatever the debate at Westminster, the sheer size of any full-scale bid from Hanson means that it will circumvent British competition policy and end up under the microscope in Brussels.



Stuart Bell (left) warned of almighty row in event of bid. Ken Warren "businesses operate in a free market"

Summing up the feelings of the UK employees

A SENIOR ICI manager on Merseyside last night summed up the feelings of many of the company's 53,000 UK employees about the prospect of a Hanson bid, writes Michael Cassell.

He said: "There is nothing to focus on yet. We have to wait until we can see the whites of their eyes; in the meantime we are getting on doing the business".

Even so, the trade unions representing ICI employees were not slow to fire the opening salvos in a fight which they hope may never be necessary.

The unions, who yesterday called for the immediate intervention of the Monopolies and Mergers Commission, are to meet on Monday to discuss strategy in the event of a Hanson bid, but made it clear they believed such a move would be detrimental to ICI's best interests.

Mr Fred Higgs, TGWU national secretary for the chemical industry and chief trade union negotiator with the company, said he viewed Lord Hanson's initial investment with great concern, "given his long record of asset-stripping and lack of commitment to British industry".

He added: "It would be appalling if he were allowed to gain control of Britain's largest manufacturing company. ICI, like the rest of British manufacturing industry, is working hard to deal with the effects of the recession. That it should now have to cope with the predatory approaches of Lord Hanson is politically and industrially unacceptable."

Mr Keith Standring, GMB national officer and leader of 22,000 ICI manual workers, said any hostile takeover by Hanson would be resisted. He echoed accusations of asset-stripping by Hanson and claimed it had an "appalling record" on industrial relations.

UK COMPANY NEWS

Sherwood placing for £11.75m socks deal

By Alice Rawsthorn

SHERWOOD GROUP is diversifying beyond its lace and lingerie interests into socks by buying Seden Holdings from Toleman, the troubled car transporter company, for £11.75m in a deal financed by an £11.68m placing and open offer.

Mr David Parker, chairman, said Sherwood had for some time been keen to expand its garment interests to reduce its reliance on lace, which provided two thirds of its £96m sales last year.

He said that Seden – which supplies socks to a wide range of multiple retailers including Marks and Spencer, BhS and Woolworths – was exactly the sort of "low ticket item, design-led company" Sherwood had been looking for.

County NatWest Wood Mackenzie and Barclays de Zoete Wedd are placing 2.46m new Sherwood shares at 475p each.

Sherwood's share price rose by 3p to 503p yesterday.

The placing is subject to a clawback by Sherwood's shareholders on the basis of one new share for every 7.2 shares already held at the placing price of 475p.

Sherwood has expanded rapidly since going public on the USM five years ago. Its acquisitions have included two large lace businesses, Birkin in the UK and Dentex in the Netherlands.

This expansion left Sherwood with net debt of £23m and gearing of 78 per cent by the end of 1990. Mr Parker said that, after the Seden acquisition, gearing should be reduced to around 35 per cent by the end of the present year.

Seden's main shareholders – Toleman with 63.6 per cent and the Lowe family with 27.2 per cent – have already agreed to sell the company to Sherwood.

Mr Parker said that Seden, which made audited profits of £1.9m on sales of £14.6m last year, would continue to be run as an independent company. However Sherwood plans to use its European network to increase Seden's exports particularly to France and Germany.

Despite the downturn in the textile industry, Mr Parker said the performance of both Sherwood and Seden so far this year had been "extremely satisfactory".

Sherwood said it now planned further expansion, possibly by acquisition in lace and garments.

Toleman gets in gear for a long and bumpy road

Kevin Done on the ailing UK transporter's fight for survival through asset disposals

TOLEMAN Holding's disposal of its 63.6 per cent holding in Samuel Eden is a key step on the hard-pressed group's bumpy road to survival.

Toleman, the leading operator of car transporters in the UK, is clawing its way back from the edge of financial collapse, after plunging into heavy losses last year.

The steep recession in the UK new vehicle market has drastically cut demand for its services in a period when it is in the midst of an ill-timed and highly ambitious investment programme in an expensive new generation of high technology, 12-car transporters.

The sale of the stake in Samuel Eden, its profitable but unrelated hosiery subsidiary, will raise £7.47m for the privately-owned group and will enable it to pay off its most pressing creditor, Midland Bank.

Toleman gained national publicity last autumn as one of the first companies to try to impose across the board pay cuts in response to the recession.

The pay cuts first imposed in the final quarter of last year have done little to relieve the immediate financial pressures, however, partly through weak management implementation of the scheme. Toleman has had to resort to asset disposals to bring its stretched finances back into some equilibrium.

Last November Toleman brought on to its board Mr David Rocker, a business consultant and formerly legal affairs director of Guinness and a prosecution witness in last year's Guinness trial, to act as "company doctor".

The emergency prescription has been a six-month restructuring plan and a dose of rigorous cash management.

Toleman is the clear market leader in car transporting in the UK with a market share of 33 per cent. Its business has been badly hit by the drop in new car sales, which declined 12.7 per cent last year and by a further 22.2 per cent in the first four months this year.

Its problems have been exacerbated by its exposure to Ford, the UK new car market leader, which accounts for around 60 per cent of Toleman's automotive business. Ford's sales have declined faster than the overall market.

The number of cars moved by Toleman dropped by 27 per cent last year to 650,000 from 890,000 a year earlier, it lost some contracts and its market share dropped to 33 per cent from close to 39 per cent.

The car transporting business ran up a loss of around £6m last year on a turnover of £55m with a loss of £7m for the group.

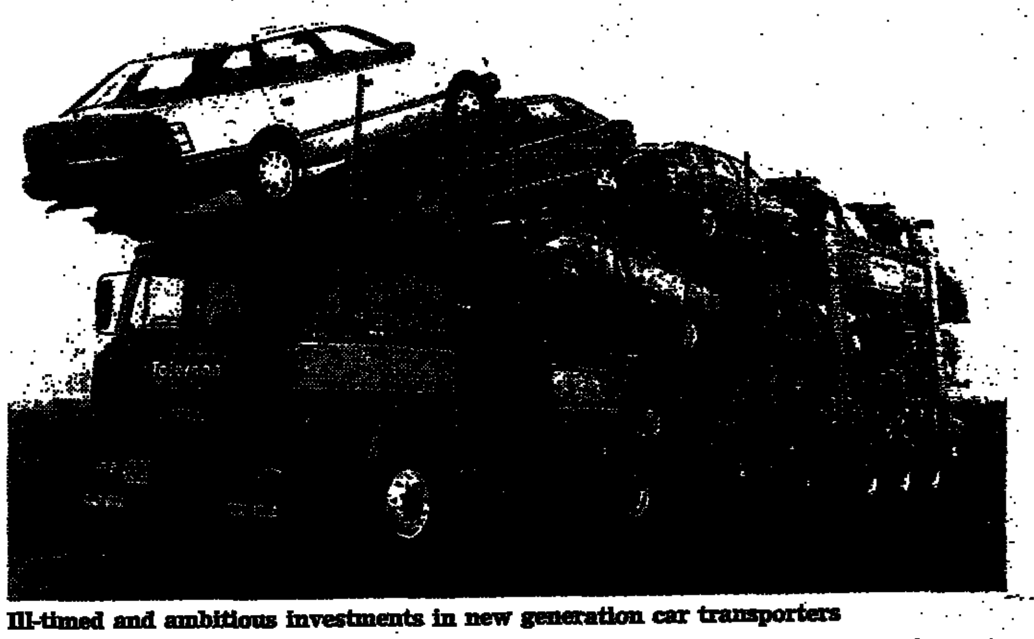
"When I joined it was not at all clear we would make it," says Mr Rocker, "but as time goes by it is looking better. Cost savings are coming through, we have relieved our debt burden and we can see a way forward."

The workforce has been reduced to just over 700 from 926 last autumn and Mr Rocker claims that costs have been reduced by about £6m or ten per cent.

Midland Bank's £7m overdraft was first halved to £3.5m through the sale of land at Hamble and can now be paid off, said Mr Rocker. Toleman is also seeking to dispose of Cougar Marine, its power boat building subsidiary.

"We are not out of the woods yet on the automotive side, but given our cash position after the Eden sale and our projections for the rest of the year we are through the worst," he said.

Toleman is currently budgeting for a £1m pre-tax profit this year based on the hope of a pick-up in car sales in the vital month of August.



Ill-timed and ambitious investments in new generation car transporters

NEWS DIGEST

LAIT issue aims to raise £5.7m

THE RIGHTS issue bandwagon was given a further push yesterday by London & Associated Investment Trust with a £5.7m cash call, writes Philip Coggan.

LAIT is not technically an investment trust at all but a finance company which specialises in property investment.

Mr Michael Heller, chairman, said yesterday that while "no-one rings a bell" to signal the bottom of the property market, the company thought there were "lots of opportunities" with prices at current levels.

Shareholders are being offered five new shares at 20p each for every eight held. Mr Heller and his family interests are taking up their rights in respect of 50.6 per cent of the issue. The remainder, apart from the entitlement of the Prudential which is being placed, is being underwritten by Charterhouse Tilney. LAIT's shares closed unchanged at 26p yesterday.

LAIT also announced a pre-tax profit of £848,000 (£841,000) for 1990 and a final dividend of 0.45p (0.41p), making a total of 0.5p (0.46p). Net assets per share fell from 50.6p to 49.3p over the year.

Warner Howard at record £5.1m

Warner Howard, supplier of commercial laundry equipment and warm-air hand dryers, increased profits from £4.67m to a record £5.14m pre-tax for the year to end-February.

Turnover pushed ahead to £17.7m (£16.32m) and earnings per share to 15.57p (13.51p). A final dividend of 3.45p makes a 5.2p (4.5p) total. The shares rose 7p to 210p.

Markets downturn hits F&C Germany

At the end of its first year in its new form, F&C Germany Investment Trust has reported lower net asset value per share of 103.4p. The decline was attributed to the downturn in the trust's two markets, Germany and Austria, after the invasion of Kuwait in August.

In its previous life as the Smaller Companies Investment Trust (SCIT) net asset value at March 31 1990 was 141.5p. The trust changed its form and investment policy in early March when it joined the stable of Foreign & Colonial investment trusts.

The year under review ended with total revenue of £1.24m (£3.67m). Interest payable fell to £40,000 (£796,000) but expenses took £688,000 (£435,000) and after tax of £212,000 (£619,000) revenue was £298,000 (£1.82m). Earnings were 0.76p (4.6p).

The directors propose a final dividend of 0.2p plus a special payment of 0.35p derived from the investments of SCIT.

Bisichi Mining reduced to £137,000

Reduced pre-tax profits of £137,000 compared with £166,000 were announced by Bisichi Mining, the investment group, for 1990.

The company is involved in four main areas – mining, property, listed and unlisted investments. Gross income was just ahead to £580,000 (£551,000). Earnings worked through at 1.01p (1.18p) per share and the proposed single dividend for the year is lifted to 0.6p (0.56p).

Net asset value at the year end stood at 48.3p (48.84p) per share.

RIT Capital asset value little changed

Net asset value per share at RIT Capital Partners ended the year to March 31 little changed. The figure for diluted nav was 131.7p, against 131p at the end of March 1990 and the undiluted figure was 146.5p (147.5p).

A decline in taxable profit from £12.3m to £10.2m was attributed to reduced holdings in fixed interest securities and higher investment in equities with lower yields.

The dividend has been reduced to 2.44p (2.64p) on earnings per share of 3.53p (4.18p).

Taylor Woodrow in properties swap

Taylor Woodrow Property Company and Norwich Union have agreed to rationalise their jointly-owned £70m property portfolio, writes Vanessa Houlder.

By swapping holdings between the two groups, the deal will release "marriage value" in three properties which they developed together over the past ten years. Jointly-owned buildings are valued less highly than those in single ownership.

As a result of the transaction, Taylor Woodrow has acquired Norwich Union's entire interest in a Southampton office block. Norwich Union has acquired Taylor Woodrow's interests in two London office blocks.

Taylor Woodrow and Norwich Union are continuing to carry out joint developments of property.

Yorklyde declines 26% to £1.82m

Yorklyde, the fine woollen and worsted manufacturer, reported a 26 per cent decline – from £2.47m to £1.82m – in pre-tax profits in the year to end-January.

The result was struck on turnover down by just over £1m to £9.92m. Tax took £595,203 (£893,536), after which earnings per share came out at 25.2p (32.5p). The final dividend of 5.7p leaves the total for the year unchanged at 9.7p.

The directors said trading had been difficult throughout the period. Sales continued to reflect these conditions.

UK COMPANY NEWS

Dollar rate knocks BOC to £150m

By Richard Gourlay

PROFITS at BOC, the industrial gases and health care group, fell 12 per cent in the six months to March 31, as a result of adverse currency movements and increased interest charges and capital expenditure.

The taxable result fell from £170.1m to £150.2m on sales down 6 per cent at £1.33bn.

A higher tax charge as the group eliminated tax losses in the US, added to pressure on earnings per share which fell to 20.29p (23.8p).

BOC fixes its dividend before each year and will pay a second dividend of 10.2p in August for a total of 20.4p, up 7 per cent on last year.

Mr Patrick Rich, who became chief executive in December and will replace Mr Richard Giordano as chairman next year, said it was meaningless to study the results without taking account of the adverse movement of the dollar.

Taking out the adverse currency movements showed growth of 4 per cent in sales and 3 per cent in operating profit, with margins fairly constant, Mr Rich said.

"No business is immune to recession, but BOC's gas portfolio is pretty resilient on the way down," Mr Rich said.

During the period BOC spent £45m to buy the minority interests of CIG, its Australian subsidiary. The interest charge increased to £37.6m (£33.6m) as a result.

Some 40 per cent of the £194m capital expenditure was in south-east Asia and less than 20 per cent in the US.

Mr Rich said the interest charge had stabilised, as had gearing on the £777.4m of debt, which rose £120m over the period.

At the operating level, gas sales grew 4 per cent in constant dollar terms to £932.9m and operating profits rose 1 per cent to £136.5m.

Sales on the health side fell to £271.1m (£275.9m) while turnover in vacuum technology and distribution was flat at £126m.

Patrick Rich: pointed out adverse dollar movement

● COMMENT

The greatest surprise was perhaps the speed at which operating profits growth from gases has slowed since the first quarter; but at least profits have not run into the buffers. If capital expenditure, which has unnerved some advisers and left gearing at a relatively high 60 per cent, were curtailed, BOC would still look like a license to print money. But it is that capital spend that has built BOC's strong position – particularly in the Pacific and south-east Asia. While it is too late to counter adverse currency movements this year, BOC has successfully sold half of its dollar profits for 1992, locking in a 20 cents translation gain that will shine through in next year's interims. This year BOC remains on target for pre-tax profits of £340m, giving earnings of 46.5p, and an attractive prospective multiple of under 12 times.

Financial Times expands in Spain

By Raymond Snoddy

THE Financial Times is expanding its presence in Spain via a near £20m investment in a new publishing grouping.

The FT already has a 35 per cent stake in Expansion, the leading financial newspaper in Spain. Agreement has now been reached between the FT and its Spanish partners to create a publishing group out of three main titles.

They are Expansion itself, Actualidad Economica, the leading business weekly, and Marca, a daily sports paper with the second highest readership in Spain. The three separate titles already share some common services, including a printing press.

By early next year the FT will hold a 25 per cent shareholding in the new group along with the paper's two existing partners in Expansion. They are a group of shareholders led by the current management who will control 58 per cent of the company, and Comecosa, a large regional publishing company which will control just under 17 per cent.

Mr David Palmer, chief executive of the Financial Times, part of Pearson, said yesterday that he regarded Spain as one of the most important growth economies in Europe over the next decade.

"The FT's aim is to build a network of publishing interests within the EC," Mr Palmer said.

LWT gloomy on prospects as annual profits fall to £20.8m

By Alice Rawsthorn

ONLY A day after submitting its bid to retain its television licence London Weekend Television announced a fall in pre-tax profits to £20.75m in 1990 from £45.03m in the previous 17 months and warned of a further fall in profits this year.

Mr Christopher Bland, chairman, said that although LWT had suffered from the downturn in the television advertising market it had managed to increase its market share. He said the group was "really proud to have produced these numbers in a very, very difficult year".

The shares slipped by 1p to 95p on the announcement.

LWT is bidding for its franchise – the rights to weekend broadcasting in the London region – against competition from a consortium led by PolyGram, the music group. LWT spent a year putting its bid together.

The group is also bidding for the breakfast time licence now held by TV-am as part of Sunrise, a group of investors which includes the Guardian newspaper and Walt Disney, the US entertainment company.

LWT has been cutting costs for the past four years: partly in anticipation of the franchise re-application and partly in response to the downturn in the advertising market. The workforce has fallen by 40 per cent to around 834 people over the past two years, thereby reducing overheads by around £12m a year.

Mr Bland said this reduction had been critical in helping LWT to withstand the recession. In 1990 the group made sales of £275.76m (£351.37m in the preceding 17 months) and pre-interest profits of £47.7m (£58.29m).

LWT managed to reduce its net debt by £7.3m to £44.6m by the year end thanks to the impact of lower overheads on its cashflow. It paid £6.9m (received £6.36m) in interest during the year and paid £19.21m (£16.27m) in exchequer levy.

Fully diluted earnings per share fell to 13.0p (25.3p). The fixed preferred dividend of 3.94p was paid half-yearly in equal instalments on June 30 and December 31.

Mr Bland said the first quarter of 1991 had shown a decline on the same period in 1990 and the next two quarters would be "flat at best". "We could have a better fourth quarter," he said. "But we are not counting on it."

Bad debts and US side hit Bank of Ireland

By Kieran Cooke in Dublin

ANALYSTS WORST fears were confirmed yesterday as Bank of Ireland, the Republic of Ireland's second largest bank, announced pre-tax profits down by more than I£80m (£72m) and a sharp drop in earnings per share – from 28.2p to 6.8p for the year to March 31 1991.

Mr Patrick Molloy, appointed chief executive earlier this year after the resignation of Mr Mark Hely Hutchinson, said that bad debt provisions in particular – up from I£56.5m last year to I£175.3m this – were "unacceptable."

The pre-tax result more than halved – from I£134.2m last year to I£53.5m. Total dividend for the year remains at 11p with a proposed final of 7p (same).

As with Allied Irish Banks, the other big Irish bank, Bank of Ireland has suffered from a big downturn in its business in both the US and UK. But its excursion into the US in particular has had a very serious affect on its balance sheet.

In mid-1988 the bank spent I£230m to buy First New Hampshire Banks, the largest banking company in New Hampshire. "Our timing was pretty wrong" said Mr Molloy yesterday.

The US division lost I£60m (I£1m) in the year and the bank warned that it would be some time before there was any sign of improvement in the New Hampshire area of the property market – the main cause of losses at First NH. A process of consolidation had been completed in the US.

Heavy loan losses in corporate and branch banking led to a loss in the bank's UK division of I£50.2m (I£10m profit). Performance in Ireland – including Northern Ireland – was described as "excellent". Although there had been an economic downturn in recent months, the bank's Irish division, which accounts for about 60 per cent of total business, made pre-tax profits of I£119.8m, up 8.6 per cent.

Mr Molloy said that radical changes had been made in the bank's management and lending policies and he was confident that all businesses would return to profit in the near future. However, he warned of difficulties in the coming year in the US and UK operations.

Acquisitions help Ashley improve 46% to £8.01m

By David Owen

ACQUISITIONS and organic growth have propelled Ashley Group – which has interests in Spanish food retailing, window blind distribution and plywood – to a 46 per cent advance in interim profits for the six months to February 28.

Pre-tax profits totalled £8.01m on turnover of £183.5m. This compared with £5.47m on turnover of £133.7m a year ago.

The company, which evolved from Ashley Industrial Trust – a maker of plywood products and milk-float batteries, was also helped by a £798,000 net property and investment surplus, against a deficit of £487,000 in 1989/90.

In spite of the overall profits increase, the shares fell 3p to 111p.

Below the line, an unusually low tax charge helped earnings per share to rise by 12.5 per cent to 4.5p (4p).

The interim dividend was lifted by 20 per cent to 0.75p (0.625p).

Avonmore and Waterford in talks

By Clare Pearson

A MERGER is being contemplated between Avonmore and Waterford, two Irish food groups with shares quoted in London.

In a stock exchange statement yesterday, the pair said they were entering into discussions which might lead to a merger. Such a combination would create a group with combined sales of more than I£900m (£818m).

Both companies have significant dairy operations in Ireland and elsewhere.

Shares in both companies had risen sharply in recent months on speculation that they might merge, though they had repeatedly denied the rumours.

USM-quoted Waterford last month announced static pre-tax profits of I£11.3m (I£11.23m) while Avonmore produced a marginal increase from I£13.2m to I£13.3m. Waterford's sales were I£439.06m (I£278.94m) and Avonmore's 24 per cent up at I£499.7m.

Both companies then said they had been affected by an inability to pass on falling prices for dairy products to farmers.

In Waterford's case this was exacerbated by heavy interest payments on borrowings associated with acquisitions in the UK and the US.

Waterford is more heavily involved in dairy products than Avonmore, which has been diversifying into meat processing in recent years.

Yesterday in London Avonmore's shares closed unchanged at I£1.02 to value the company at I£40.43m, and those in Waterford at I£0.91, valuing it at I£29.98m.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Allied Part'ship ......fin	0.5	Aug 19	1	1.5	2
Appleby W'ward §....fin	5.6	-	5.5	8.5	8
Ashley ......int	0.75	June 28	0.625	-	1.625
Bank of Ireland ......fin	7♣	July 11	7	11	11
Bleichi Mining ......fin	0.6	Aug 16	0.58	0.6	0.56
BOC ......fin	10.2‡	Aug 1	9.5	20.4	19.07
Euromoney Pubs ......int	6.5	June 7	6.5	-	18.5
F&C Germany Inv ......fin	0.2	June 21	-	0.55♠	-
Fine Art Devs ......fin	7.3	July 4	6.6	9.8	8.9
Jackson ......fin	2.2	July 8	2.2	3.2	3.2
Hartstone Group ......fin	2‡†	July 29	1.25	3.25	2
London & Assoc ......fin	0.45	Aug 30	0.41	0.5	0.46
RIT Cap Partners ......fin	2.44	July 3	2.64	2.64	2.44
Sintrom ......fin	nil	-	1.64	0.3	2.64
Time Products ......fin	4.6	July 26	4.5	7.25	7
Tomkinsons ......int	3.5	June 24	3.5	-	11.5
Warner Howard ......fin	3.45†	July 8	2.94	5.2	4.5
Yorklyde ......fin	5.7	July 4	5.7	9.7	9.7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♠Includes one-off payment of 0.35p. ‡Scrip alternative. ♣Irish currency

UK COMPANY NEWS

Royal Ins loss cut to £63m but UK disappoints

By Clare Pearson

ROYAL INSURANCE, the composite insurer, yesterday unveiled a reduced pre-tax loss of £63m for the first quarter, a result which matched the more optimistic market expectations.

However, Mr Ian Rushton, group chief executive, said the performance of Royal UK, from which a major improvement had been expected due to the less severe weather, had been disappointing.

The deficit in first quarter of last year was £79m.

Mr Rushton said the UK side had been hit by increases in personal motor claims costs and the number of subsidence and mortgage guarantee claims, and a £9m accrual in respect of the VAT increase.

These factors had largely offset benefits from the better weather. The pre-interest loss in the UK was just £1m less than last year at £62m.

But operations overseas presented a brighter picture. Reaping the benefits of a slimming down operation last year, the US operation halved its pre-interest loss to £10m.

The international division turned round from a £12m loss to a £3m pre-interest profit. Canada improved pre-tax profits by £1m to £7m.

Mr Rushton said premiums written during the period had fallen by 17 per cent. That was due to result improvement programmes which had included the repricing of products and enforcement of stricter underwriting standards.

There was a net negative effect on the result from changes in exchange rates. The underwriting result benefited by £9m, but currencies reduced investment income by £12m.

Together with lower amounts of business done, that reduced investment income attributable to capital and reserves to £15m (£26m).

Life profits amounted to £16m (£17m). Associated companies put in £10m (£12m), helping to offset an overall underwriting loss of £84m, against £111m.

A recovery in capital and reserves from £1.68bn at the beginning of the year to £1.89bn enabled the solvency margin, the excess of assets over liabilities as a proportion of premiums written, to rise from 32 to 39 per cent.

Time Products suffers 38% downturn to £9.4m

By Michiyo Nakamoto

DE-STOCKING by retailers in the face of sluggish consumer demand hit profits at Time Products, the watch and jewellery distribution group, in the year to January 31.

The recession continued to bite in the UK and further pricing pressures affected the watch movement business in Hong Kong. Contributions from both areas declined.

Overall, group pre-tax profits fell to £9.37m (£15.12m). The 38 per cent downturn was struck on turnover down to £53.96m (£68.18m). Operating profits were down by 47 per cent in the UK to £5.3m and by 76 per cent in Hong Kong to £46,000.

Earnings per share fell to 12.16p (20.57p). However, an increased final dividend of 4.6p (4.5p) is recommended making a 7.25p (7p) total.

Mr Marcus Margulies, group managing director, said there was no reason to expect any improvement in the situation soon but that the group was taking a long-term view of the situation. Despite last year's difficulties, it had been able to maintain market share.

The gold ring manufacturing business acquired with Lotus Jewellery in 1985, is being closed as efforts to turn the business around have so far been unsuccessful. It is also discontinuing the assembly of finished watches in Hong Kong due to intense price competition there.

Changes sought in portfolio transparencies

Charles Batchelor on the complexities of venture capital trusts

FRESH light on the complex world of venture capital is thrown up by a detailed survey* of the 30 venture capital groups which are listed investment trusts.

The trusts covered (only one, Thompson Clive Investments, did not take part) account for about £2bn-worth of investments, or one third of the total UK venture capital pool.

They range from the larger companies specialising in management buy-out and development capital finance such as Electra (with a market capitalisation of £377m), RIT Capital Partners (£152m) and Ensign (£121m) down to far smaller trusts such as Grosvenor (£8m), Sumit (£8m) and English & Caledonian (£7m).

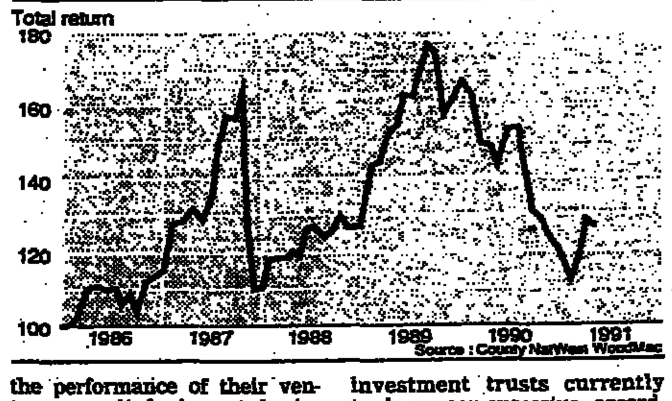
The survey, by County NatWest WoodMac, the stockbroking arm of the National Westminster Bank group, reveals a wealth of detail about the management methods, fees and incentives in the venture capital sector – detail which is not otherwise readily available to the institutional investor.

It also discloses sensitive detail about the discretionary investment limits of the managers of the different trusts, information which many might otherwise be reluctant to make known.

Mr Hamish Buchan, head of investment trust research at County NatWest WoodMac, said the survey was designed for institutional investors, venture capital companies and accountants and solicitors involved in putting together venture capital funding deals.

Its publication comes at a time when institutions have become increasingly critical of the performance of their venture capital investments. Partly as a result of investor pressure the industry has agreed to introduce tighter guidelines on valutions.

Venture capital trust share price index



The survey reveals that overall, the venture capital sector has not attained the ambitious performance targets it has long promised investors. The index of total returns to investors in the trusts, as measured by share prices, was just 127.1 in April 1991, up from a base of 100 in December 1985. The index of net asset values – a more accurate reflection of managers' performance – rose to 131 over the five years to December 1990.

Venture capital groups frequently mention very exciting annual returns of 30 or 40 per cent but they are usually talking of their own internal rates of return before taking into account fees, share options available to the managers and other expenses.

Although the venture capital industry has oversold itself in the past the discounts at which investment trusts currently trade appear excessive, according to Mr Buchan. At the end of 1990, venture capital investment trusts were on an average discount of 29.6 per cent – nearly twice the discount level of the investment trust sector generally.

If the discount is applied solely to the trusts' unquoted investments, ignoring investments in cash and quoted companies, it is even higher, the study notes. Several funds have implied discounts of around 90 per cent though a noted exception is Candover, a buy-out fund, which carries an implied premium of 50 per cent.

The survey does not give recommendations on whether individual trusts should be bought, sold or held but overall the venture capital investment trust sector is undervalued and a number of trusts are due for a re-rating, it suggests.

Investors should look at the quality and performance of individual trust managements and not simply judge by the size of the discount at which they are trading, Mr Buchan said. Some trusts deserve to trade at a large discount.

Much of the survey is devoted to a review of the 10 largest unquoted investments by each of the 30 funds. Institutional investors frequently complain that they lack information on the individual companies in which the venture capitalists have invested. "This survey is the first attempt to improve the transparency of their portfolios," said Mr Buchan.

The investment reviews give details of the portfolio companies' history, recent trading performance and, where possible, compare this performance with an index for the sector. It also gives the size and form of the venture capital investment made in the company and the most recent valuation of the investment.

The survey does not cover the far more numerous private venture capital funds, many of which are offshore funds or limited partnerships, but may be extended to take in this sector of the venture capital market in future, Mr Buchan said. The 90 or so private funds account for £1.5m/£2bn of investments.

Nor does it take in 3i, Britain's largest venture capital company with more than £2bn invested. 3i is at present an unlisted company owned by the Bank of England and a number of the larger banks but it has announced plans to become a publicly-listed investment trust.

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TT slates Magnetic Materials record

By Jane Fuller

TT GROUP, the industrial holding company, has slated Magnetic Materials record on profits, dividends and share price in the offer document accompanying its £9.2m hostile bid.

It says MM's pre-tax profit of £220,000 (£704,000) for the six months to December 31 was the lowest for any six-month period since it joined the USM in November 1985.

The offer price then was 114p, which compares with TT's cash offer of 50p a share.

Since the flotation there had been no significant increase in dividend and the real value had declined by about 17 per cent. The interim payment had come partly from reserves.

TT, which has built up a 24.8 per cent stake in MM, said its offer price was 13.4 times MM's earnings per share for the 12 months to December 31.

Last year TT took over Crystalate, a maker of electronic components, in a £34m deal. Mr John Newman, a director of TT, said this subsidiary served the same industry as MM.

MM said TT's offer price was unrealistic and would deprive shareholders of the benefits of a business "with a strong niche in a long-term growth market".

It had moved away from hard magnets to soft ferrites, used in inductors for electronic components.

The short-term cost of this investment would be followed by long-term gains.

It said TT's criticisms were historic. Group strategy had changed and it was important to look ahead to the upturn in consumer and industrial demand for electronic goods.

MM's share price closed down 2p at 57p yesterday. It has risen from 41p since the first offer was announced on April 17.

UK COMPANY NEWS

Fine Art beats recession with 3% rise to £26.6m

By Roland Rudd

FINE ART Developments, the greetings card manufacturer, yesterday bucked the downturn in the retail sector by reporting a 3 per cent increase in taxable profits from £25.7m to £26.6m in the year to end-March. Turnover increased to £279.7m (£256.1m).

However, interest charges almost doubled from £5.8m to £10.7m because of the rationalisation of recent stationery acquisitions and investment in its new mail order distribution centre.

Investment of £21m was mainly responsible for pushing up borrowings from £34m to £55.5m, representing 70 per cent of shareholders' funds.

Capital expenditure in express gifts, the agency mail order company and acquisition of new sites accounted for £18m and investment in new plant and equipment cost the company a further £3m.

Mr Keith Chapman, chairman, said: "It is not a bad time to be highly geared, although I was planning to reduce borrowings through a positive cash flow by concentrating on what we do best."

Costs throughout the group were reduced to offset the impact of financing the new mail order system which led to an 18 per cent increase in operating profit to £37.3m (£31.5m).

Taxable profits in the card and paper products division fell back to £13m (£13.5m) because of the closure of 25 shops in Papertree, its retail.

The mail order division increased pre-tax profits from £11.5m to £12.9m.

Mr Chapman said the group's 10 per cent stake in Grattan, where he is non executive deputy chairman, will be increased to 15 per cent during the next year.

The final dividend of 7.3p makes a total of 9.8p (8.9p). Earnings per share edged up to 22.9p (22.1p).

● COMMENT

Set against a slump in consumer spending and a general gloomy outlook on the retail front these results are not bad. The black spot is the high interest charge. The fact that it was clearly flagged in the interims last year does not make it any easier for shareholders to swallow. It is too high and the company admits as much. However, although Fine Arts is committed to bringing borrowings down the interest charge is expected to remain a sore for at least another year. Better news can be expected from the card and paper division. Most of the nasty work in closing Papertree stores has been done and the company can reasonably expect an increase in profits by next summer. The mail order division has already proved that it can weather a recession. The company is expected to make about £30m next year, putting the shares on a prospective multiple of 11.6.

Tomkinsons' dive to £491,000 knocks 12p off share price

By Alice Rawsthorn

TOMKINSONS, the carpets company, yesterday saw its shares fall by 12p to 261p, when it announced a decline in interim pre-tax profits from £1.03m to £491,000.

Mr Lowry Maclean, chairman, said Tomkinsons had experienced a "very difficult" first half, with "some of the worst trading conditions for home furnishing manufacturers for more than a decade."

The interim dividend is unchanged at 3.5p despite a fall in earnings to 5.2p (10.9p) during the period to March 30.

The carpet industry, which is closely linked to the housing market, was one of the first sectors to feel the recession.

Mr Maclean said the market had been distorted by "heavy discounting" and a "flood of liquidation stocks."

Tomkinsons, which has invested heavily in production technology and advertising to position itself at the upper end of the market, had not been prepared to salvage sales through discounting.

Turnover fell to £10.36m (£12.72m) in the first half and trading profits to £556,000 (£1.09m).

Over the past year Tomkinsons has reduced its workforce from just over 500 to about 480 and has implemented some short-time working.

Hartstone surges to over £7m

By Clare Pearson

HARTSTONE, the acquisitive leather and hosiery group which last month doubled its issued share capital through a £45m rights issue, yesterday announced pre-tax profits of £7.36m, in the year to end-March, compared with £3.22m.

The company also said it was making three more acquisitions, hard on the heels of the purchase of two US leather goods companies, Etienne Aigner and Michael Stevens, which was announced at the time of the rights issue.

Pre-tax profits were marginally higher than the rights issue forecast while a 2p (1.25p) final dividend, making 3.25p (2p) for the year, matches it. Earnings per share rose to 18.6p (12p).

Hartstone is chaired by Mr Stephen Barker, the former chief executive of Albert Fisher, the food group.

The three businesses being bought are Rubo Lederwaren, a Dutch leather goods importer, Dover Handbags of New York and Jade Accessories, a UK company which marks Hartstone's first move into distribution of belts. Together they will cost up to £4.81m.

By division, European leather goods put in pre-tax profits of £3.78m (£2.46m).

Turnover rose from £25.58m to £68.9m.

APG restructuring after profits drop

By Roland Rudd

ALLIED Partnership Group, the environmental contracting business and fork-truck distributor, yesterday announced a restructuring programme after reporting a 61 per cent drop in pre-tax profits before exceptional and extraordinary items for the year ended December.

A fall in taxable profits from £6.2m to £2.4m has prompted the group to change direction by concentrating on environmental activities. Turnover fell to £104m.

The group has also decided to import and distribute fork-trucks, instead of leasing them, leading to exceptional costs of £755,000 due to reorganisation.

Mr Martyn Rose, chairman, said: "We are making a clean break with the past by implementing radical changes in the group."

An extraordinary charge of was incurred in drawing a line over the most heavily loss making areas.

The closure of the lease broking business APG Finance cost £3.9m; the collapse in the value of Third Mile Investment led to a write-down of £2.6m and the disposal of Trevor Crocker and APG distribution, led to losses of £773,000 and £679,000.

The group's resources will now be directed to the development of the contracting activities in water, sheet piling, landscaping and building, which is now expected to account for 40 per cent of sales compared with just 10 per cent last year.

Borrowings rose to £29m (£17m) representing 125 per cent of shareholders' funds.

Mr Rose said gearing would be significantly reduced over the next year.

The dividend was cut by a quarter to 1.5p and earnings per share almost halved from 6.2p to 3.2p.

Profit growth restrained at Appleby Westward

By David Owen

A REDUCED contribution from shop fitting has restrained profit growth at Appleby Westward Group, the west-country-based grocery wholesaler.

Pre-tax profits for the year to February 28 were virtually static at £2.06m (£2.04m) on turnover ahead 23 per cent to £69.08m (£56.35m).

The company said that profits attributable to its Jones Shopfitters business had fallen "significantly" as a result of lower margins and "retailers deferring expenditure on store improvements".

By contrast, the core business of supplying Spar and VG convenience stores "continued to grow at a satisfactory margin", while the commercial vehicle repair results were "satisfactory" and only marginally lower than 1990.

A lower tax charge, which was the product of short-term equipment leasing arrangements, helped earnings per share to climb by 8 per cent to 25.8p (23.9p).

The USM-quoted group proposed an unchanged final dividend of 5.5p, making a total of 8.5p (8p). The shares fell 5p to 258p.

AJ Worthington buy

AJ Worthington has acquired the assets and goodwill of Kahan Bros, an importer and wholesaler of domestic sewing thread.

Consideration for all the tangible assets, other than cash and debtors, is at the valuation price of £358,048 and £175,000 is being paid for the trademark and goodwill.

In 1989 Kahan made £95,120 profit before interest on turnover of 955,299.

Botswana diamond deal with De Beers renewed

By David Blackwell

BOTSWANA, the world's most important diamond producer in value terms, has agreed to continue selling its diamonds for the next five years through De Beers, the South African group which controls 80 per cent of the market for rough (uncut) diamonds.

Negotiations for the contract were prolonged: the previous contract ended on December 31 last year. Some Botswana politicians wanted to change De Beers' exclusive sales contract so that part of the country's output could be sold independently.

The contract is between Debswana, owned half and half by De Beers and the Botswana government, and the Central Selling Organisation (CSO), De Beers' marketing arm. The agreement is "substantially on the same terms and conditions as the previous agreement, which took effect from 1985," De Beers said yesterday.

The group said estimates that Botswana diamonds contributed as much as half of its diamond account profits were wide of the mark, but it would not divulge the true figure.

Both sides have also agreed to commission a detailed feasibility study for a 33 per cent expansion in production capacity at the Jwaneng mine in central Botswana. Any expansion would be financed by the shareholders.

Jwaneng, the world's richest diamond mine, is one of three mines owned by Debswana which between them produce 16m carats a year.

Mr Julian Ogilvie Thompson, chairman of the CSO, welcoming the agreement yesterday, said the friendly nature of the negotiations with Botswana reflected "the co-operative nature of our longstanding partnership".

Prices of rough diamonds, with few exceptions have risen every year since the depression of the 1930s. Market conditions have been depressed in recent months with sales down in the US and Japan, the two biggest outlets. At such times the CSO stockpiles stones at great expense rather than releasing unwanted diamonds on to the market.

In the past year De Beers has also concluded or renewed sales with the Soviet Union, Australia and Angola.

Wool price outlook depressed

By David Blackwell

PRICES for Australian wool will show little change from the present levels of just over 500 Australian cents a kilogram, according to the Economist Intelligence Unit.

In the face of a large stock overhang, little improvement is seen over and above adjustment for inflation up until 1995, says the EIU in a special report. Any rise in Australian dollar terms will be trimmed in US dollar terms, given the EIU forecast of an 8 per cent depreciation in the Australian dollar against the US dollar between 1990 and 1995.

Prices for New Zealand wool, now around 375 New Zealand cents a kilogram, may fare better as supply and demand are better balanced. Australian wool is used mainly for clothing; the coarser New Zealand production is used for carpets.

The report traces the recent collapse in wool prices to a sharp fall in Chinese imports, which climbed from 70,000 tonnes in 1982 to 188,000 tonnes in 1988 before tumbling to 62,000 tonnes in 1990. The figure is not expected to regain the 1988 level in the next four years, although it could gradually climb above 160,000 tonnes.

The report is generally gloomy on consumption, predicting a rise of less than 2 per cent a year and a decline in its share of the total fibre market. The EIU argues that the shift away from wool when prices were high in 1987-1989 will not be followed by a return to wool now that prices have collapsed.

The oil market does not look likely to help wool's price competitiveness further with a sharp rise in the cost of man made fibres.

World stocks will be reduced only slowly, the report argues, subsiding from a peak of 783,000 tonnes at the beginning of 1992-93 to 581,000 tonnes at the beginning of 1995-96.

The burden of restoring balance to the supply-demand equation will fall on Australia. The EIU forecasts a fall in the clip from 723,000 tonnes in 1989-90 to 500,000 tonnes by 1993-94.

Wool to 1995. Rebuilding Producers' Confidence. Special Report No 2135 by David Morris. The Economist Intelligence Unit. 40 Duke Street London W1A 1DW. £175 or $365. pp105.

Gas sales increase predicted

By Karen Fossli in Oslo

THE SIZE of Britain's gas-fired power station market and its development rate will be constrained by supply provision in the immediate future, according to Mr James Allcock, director of gas supplies, British Gas.

But overall gas sales will reach 65 billion cubic metres (bcm) by the end of the decade, he told delegates of the sixth European Gas Conference in Oslo yesterday.

Britain's gas sales have increased at a rate of around 2 per cent per annum over the last decade, from 45 bcm to 55 bcm, allowing British Gas to add about 2.5m new customers to its gas distribution system. The total length of the UK transmission and distribution mains has increased in this period by about 15,000 miles.

However, Mr Allcock warned that a reassessment of policy objectives may be unavoidable if oil companies are not prepared to make investments and take marketing risks of developing new supplies for direct sale within a time-scale that is technically feasible.

Between 1993 and 1996 Norway will see the start-up of five new gas projects on the Norwegian continental shelf that will increase production, at plateau, by around 30 bcm from the current level of about 27 bcm, according to Statoil, the Norwegian state oil company.

Mr Allcock said there is a requirement for large quantities of new gas over the next few years to satisfy strong growth in the market.

British Gas currently has 710 bcm of remaining contracted and committed gas supplies, and believes that about 140 bcm of UK gas is contracted or commited to non-British Gas buyers. "There is about 700 bcm of gas ... which is not currently on offer to us," he said.

The pattern of future UK gas developments will change to lower average field size and the gas fields of the Southern Basin will form a smaller portion of total production which has important implications for British Gas's future supplies of peak gas, he said.

"There are 10 times as many fields with less than 7 bcm as there are with more than 28 bcm, and therefore a large number of field developments will be required to meet market demand."

EC to probe Scottish complaints over salmon

By James Buxton, Scottish Correspondent

THE European Commission is stepping up its monitoring of EC imports of Norwegian salmon in response to renewed complaints from Scottish and Irish fish farmers that Norway is still selling salmon in the EC at below cost.

The Scottish Salmon Growers Association (SSGA) attributes much of the blame for this year's low European prices for farmed salmon to alleged dumping by Norway. Earlier this year Britain and Ireland failed to persuade the Commission to impose an 11.4 per cent import duty on salmon from Norway, the largest producer of farmed salmon in Europe.

Mr William Crowe of the SSGA said there was continued evidence of Norwegian fish being sold below cost in the EC market. He said the Commission had agreed to examine Norwegian salmon imports more closely after a meeting with his association.

In 1989 a flood of Norwegian salmon on the EC market sharply depressed prices and, in response to protests from Britain and Ireland, Norwegian producers in January 1990 introduced an intervention buying scheme which last year bought in and froze 47,000 tonnes of salmon.

Salmon prices recovered for a time. But Norway recently lost its market for salmon in the US, which was buying about 12,000 tonnes a year, after the US imposed a 26 per cent import duty on Norwegian salmon. The intervention scheme is continuing this year and expects to have to buy another 40,000 tonnes.

Mr Odd Ustav of the Norwegian Fish Sales Organisation says that although Norway had hoped to produce only 140,000 tonnes of salmon this year compared with 160,000 tonnes last year, a warm winter in the fiords has resulted in bigger harvests this spring. It hopes to get output down to 120,000 tonnes next year.

"There is no dumping and no reason for the Scottish accusation," he said. "With the intervention scheme farmers have no incentive to sell at less than the intervention price."

The recent low prices, he said, were due to factors such as the Gulf war, the cold winter in continental Europe and Norway's loss of its US market. "We have undertaken a huge operation to assist the European fresh salmon market, and are taking 15,000 to 20,000 tonnes of salmon out of production," he said. "I think the Commission will very soon be tired of Scottish accusations against us."

Coal City sees light ahead at last

William Keeling reports from a newly resurgent Enugu in Nigeria

Welcome to Coal City, exclaims the sign as visitors leave Enugu airport, words that until recently held a hollow ring.

Enugu is indeed the coal capital of Nigeria but for the past 20 years the industry has been in decline. The effect of the civil-war in the late 1960s – Enugu was the capital of the secessionist state of Biafra – and the discovery of crude oil as a more remunerative source of energy production, sidelined the coal industry.

From a peak of 940,000 tonnes in 1954, national production slid to just 81,000 tonnes in 1989. While the coal-workers at Onyeama mine, which in its hey-day produced 500,000 tonnes per annum, still made the two kilometre journey along the adit or tunnel to the coal-face, their production had slumped to less than 50 tonnes per day.

After a period as dark for the miners as the mineral they produce, there is light at the end of the adit. In April Nigeria exported its first coal for more than two decades. It came from the Onyeama mine which has been taken over from the Nigerian Coal Corporation by the newly-formed Eagle Mining Company, which has a licence to mine coal exclusively for export.

The company is owned 40 per cent by Carbomin of the UK and 60 per cent by NCC, although the latter is committed to selling a third of its stake to Nigerian private investors and has only one member on the Eagle Mining board. Carbomin is owned jointly by the Greek industrialist, George Tsatsos, by companies controlled through the Leventis family and by Giering Rose of the UK and Denmark.

Eagle Mining has a share capital of $3m and has secured local and foreign loans of a further $10m. Production at Onyeama, which has proven reserves of 30 million tonnes, is currently running at 7,500 tonnes per month but is set to increase with the arrival in June of new and refurbished-used equipment from Britain.

Company officials predict that output will rise to 750 tonnes per day by October and to 1,000 tonnes per day by early next year. By 1993, the company aims to be producing 500,000 tonnes per annum and to expand to other coal-producing areas in Nigeria.

The success of the project depends upon the Eagle Mining management taking full control of all aspects of the business from the actual mining and processing of the coal to its transportation and shipment. To attain these objectives, the company has leased three locomotives and 200 27-tonne wagons from the Nigeria Railway Corporation. It has also leased and is rehabilitating a coal-jetty and loading facilities at Port Harcourt.

Central to the project's commercial viability is the additional leasing of a coal-preparation plant which, constructed by the NCC in 1976, is situated five kilometres from the mine. The plant, with its 4,000 tonne silos and 100 metre conveyors, washes and sizes the coal. It has a capacity of 250 tonnes per hour which is more than double the quantity of coal Nigeria produced at its peak.

Up until now the plant has been a white elephant, slumbering in its Enugu valley, started up for periods of one or two hours every 10 days. By controlling the passage of coal from the mine to the ship, Eagle Mining hopes to clear the main hurdle to exports.

As Major-General G.O. Ejiga, chairman of Eagle Mining, explained as the first shipment of 7,500 tonnes left en route to Swansea, despite estimated national reserves of 1.5bn tonnes "no-one has been able to match pledges of supply with actual performance".

The coal should find a ready market with a sulphur content of 0.6 per cent, making it environmentally friendly, but for Eagle Mining to succeed will require a level of management autonomy which, for a company which is 60 per cent state-owned, is rare in Nigeria.

And until the new equipment is put in place and output is boosted, company officials remain uncertain about their costs of production. They concede, however, that the company is unlikely to turn a profit for the first two years. Profit potential will increase substantially if the ships which export the coal are used to import items such as cement.

Also making the project attractive is the existing differential, presently 35 per cent, between the official and autonomous currency exchange rates.

Also planning to start production later this year is the Bulnig Mining Company Ltd, which is owned 40 per cent by NCC, 40 per cent by Minstroy of Bulgaria and 20 per cent by Bienventures, a privately-owned Nigerian company. Bulnig, which was formed last August, has two undeveloped concessions in Owukpa and Okaba in Benue state. Equipment worth $10m will arrive in late May and production at the Owukpa concession is due to start in July with the first exports scheduled for October.

Company officials estimate production at 40,000 tonnes this year, rising to 300,000 tonnes in 1992. They admit, however, to being behind the Eagle Mining in their operational readiness. The concessions are ill-situated to use the Enugu processing plant, they have yet to sign an agreement on overland transportation and the Eagle Mining jetty in Port Harcourt is unlikely to be sufficient for both companies.

Venezuela to boost output in west

Joe Mann in Caracas outlines a development likely to cost $1.8bn

After years of delays, Venezuela is now making a push to increase sharply coal output from the Guasare coalfields, located in the western Venezuelan state of Zulia.

Carbozulia, SA, the Venezuelan government's coal company, plans to raise production from last year's level of 1.5m tonnes at one mine site, to 11.5m tonnes at three to four sites in the Guasare fields by 1996. Mr Luis Urdaneta, president of Carbozulia, said a production increase of this magnitude would require investments of around US$1.8bn, to be shared by Carbozulia and international partners in joint ventures.

He said his company, a wholly-owned subsidiary of Venezuela's national oil company, PDVSA, has a goal of raising national coal production – and exports – to around 20m tonnes per annum by 2000. The Guasare basin has proven coal reserves of 353m tonnes, identified reserves of over 2bn tonnes and hypothetical reserves of more than 6bn tonnes, according to Carbozulia.

COAL PRODUCTION AT PASO DIABLO MINE, GUASARE COALFIELDS* (metric tons per year)

1987	1988	1989	1990	1991
0.12m	0.75m	1.53m	1.57m	2.50m**

*Production began in 1987. Paso Diablo is by far the largest coal mine in Venezuela. **Projected.

Guasare coal is "premium quality steam coal with high volatility and thermal values, and low sulphur content," Mr Urdaneta said. Most coal in the Guasare fields can be extracted via surface mining techniques.

All production from Guasare – about 1.5m tonnes per year since 1989 – is exported, and Carbozulia plans to sell any future output overseas.

Carbozulia and Italy's Agip Coal operate the Paso Diablo mine, the first mine opened in the Guasare region, under a joint venture called Carbones del Guasare. The two partners plan to raise production at Paso Diablo to 2.5m tonnes this year, and progressively increase output to 6.5m tonnes by 1996 and 10m tonnes by 1998.

Paso Diablo is an open pit mine and coal is currently moved to a loading station on Lake Maracaibo via heavy trucks. Barges then load the coal on to bulk carriers anchored in the lake for export.

In order to produce more than 3.5m to 4m tonnes per year, the partners will have to build a 75km railway and a port on the lake. This project alone is expected to cost around $1bn. Carbozulia and Agip will invest over $8m this year to increase output at Paso Diablo, and investments are expected to rise dramatically starting in 1992.

Governments in Venezuela have talked about plans to develop Paso Diablo since the mid-1970s, but successive administrations shelved the project when they ran out of money. Carbozulia and the current government not only have earmarked part of Venezuela's oil export revenues for coal development, but also have found international partners interested in sharing capital costs.

Carbozulia is also working with other international companies to develop two new mines. Shell and Veba Oel are studying the feasibility of setting up a joint venture with the Venezuelans to exploit another Guasare deposit called Socuy. Investment for exploration and other items this year at the Socuy mine is projected at $3.5m.

Carbozulia plans to start production at Socuy in 1995 (at 500,000 tonnes) and reach 4.5m tonnes by 1998. To develop this mine, investments of $650m will be required.

Carbozulia recently signed an agreement with A.T. Massey and a Venezuelan-Japanese group covering a 20-month exploration programme for another Guasare site, called Mina Norte. The partners, who include Mitsubishi, plan to spend some $3m carrying out test drills at Mina Norte.

WORLD COMMODITIES PRICES

MARKET REPORT

Gold fell back below the $360 a troy ounce reached on Wednesday on the London bullion market as the gains in the silver market evaporated. Silver prices bounced off support around 400 cents in the afternoon, closing at 404 cents a troy ounce, down 7.5 cents. Dealers said losses in New York pushed the market lower, following the failure to extend Wednesday's advance to two-month highs of 416 cents. "I would put the leadership role pretty evenly between gold and silver," said one New York analyst as Comex prices fell in early trading. "The recent action seems to be a classic case of the chartists and the technicians being fooled." London's July cocoa contract touched a new 15½-year low of £595 a tonne before recovering to close above £600. Dealers said players short of cocoa were showing no interest in covering themselves. New York cotton futures were lower at midday. Traders said heavy speculative selling depressed the market in response to forecasts for drier weather in the US cotton belt. On the LME nickel prices maintained a shortcovering and technical rally away from earlier 4½-month lows, to end only just below Wednesday's close. Dealers said the market was extremely oversold.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.95-6.10u	+0.15
Brent Blend (dated)	$18.60-8.70	-0.15
Brent Blend (Jul)	$19.35-9.40	+.075
W.T.I. (1 pm est)	$20.95-1.00u	+0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$245-247	+3
Gas Oil	$184-185	+3
Heavy Fuel Oil	$68-70	+1
Naphtha	$205-207	+7
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$356.0	-4.15
Silver (per troy oz)♣	404.0c	-7.5
Platinum (per troy oz)	$390.25	-3.75
Palladium (per troy oz)	$95.0	-0.5
Aluminium (free market)	$1305	-5
Copper (US Producer)	104c	+1
Lead (US Producer)	34c	
Nickel (free market)	396c	-3
Tin (Kuala Lumpur market)	15.59r	+0.02
Tin (New York)	269c	-1
Zinc (US Prime Western)	62c	
Cattle (live weight)†	112.63p	-0.18*
Sheep (dead weight)†	180.65p	-25.9*
Pigs (live weight)†	98.48p	+2.45*
London daily sugar (raw)	$200.0q	+2.0
London daily sugar (white)	$287.5q	+2.9
Tate and Lyle export price	£221.5	+1.5
Barley (English feed)	£109v	
Maize (US No. 3 yellow)	£179	
Wheat (US Dark Northern)	£97	
Rubber (Jun)♥	53.25p	
Rubber (Jul)♥	53.75p	
Rubber (KL RSS No 1 Jun)	226.5m	
Coconut oil (Philippines)§	$347.5x	-2.5
Palm Oil (Malaysian)§	$330x	
Copra (Philippines)§	$225u	-2.5
Soyabeans (US)	£157	+1
Cotton "A" index	54.75c	+0.30
Wooltops (64s Super)	387p	+15

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-May/Jun t-Jun u-Jul v-Jul/Aug. z-Jul/Aug. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	167.80	170.00	171.80	167.80
Oct	167.00	170.00	170.60	167.00
Mar	169.60	171.60	172.00	169.40
May	172.40	175.60	174.40	173.80
Aug	176.60	180.00	177.00	
White	Close	Previous	High/Low	
Aug	278.0	274.0	277.0	
Oct	247.0	248.0	248.5	245.6
Dec	245.0	244.5	244.5	
Mar	248.0	248.0	244.7	

Turnover: Raw 322 (280) lots of 50 tonnes. White 270 (573)
Paris- White (FFr per tonne):May 10: Aug 1557, Oct 1427.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Jun	19.06	19.15	19.24	19.05
Jul	19.41	19.59	19.57	19.32
Aug	19.71	19.74	19.71	19.56
Sep	19.82	20.00	19.80	19.73
Oct	19.93	20.00	19.93	19.80
Nov	19.87	20.00	19.87	19.75
IPE Index	19.04	19.15	19.04	

Turnover 20177 (17844)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Jun	178.00	178.00	178.75	177.25
Jul	175.00	175.50	176.00	174.25
Aug	173.75	174.75	176.50	175.00
Sep	177.25	177.00	178.25	177.00
Oct	180.00	179.50	180.00	178.00
Nov	181.75	181.25	181.75	181.00
Dec	182.50	182.00	182.50	182.00
Jan	179.00	180.00	180.75	179.00

Turnover 9364 (7134) lots of 100 tonnes

FRUIT AND VEGETABLES

Gala melons are the week's best fruit buy at 90p-£1.50 each (£1.30-1.85), reports FFVIB. Avocados remain at a stable price of 35-50p each, mangoes at 75p-£1.00 each (75p-£1.00) and pineapples at 85p-£2.00 (85p-£2.00). Strawberries are becoming more plentiful at 55-75p a ½ lb (70-90p). Jersey Royal new potatoes are excellent at 55-70p (56-70p), and supplies will be plentiful until the end of June. New in the shops are English new crop potatoes at 45-60p a lb. English and Spanish asparagus is superb at £1.20-1.60 (£1.25-1.40). Supplies of Round lettuce are abundant, and this week are 15-25p each.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
May	581	580	584	578
Jul	603	605	610	595
Sep	632	637	639	624
Dec	668	670	671	659
Mar	701	702	705	692
May	724	724	726	714
Jul	746	746	747	736

Turnover: 4265 (3383) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 15 782.50 (788.96) 10 day average for May 16 798.84 (801.03)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
May	529	530	533	525
Jul	555	558	561	553
Sep	578	580	584	577
Nov	598	602	604	595
Jan	618	621	624	617
Mar	636	639	640	

Turnover: 2119 (2980) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 15 : Comp. daily 65.43 (65.13). 15 day average 66.27 (66.38)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	134.0	134.4	134.5	133.5

Turnover 82 (105) lots of 40 tonnes.

SOYABEAL – London FOX £/tonne

	Close	Previous	High/Low
Aug	126.50	129.00	126.50
Oct	131.00		131.00
Feb	140.00		140.00

Turnover 20 (75) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
May	1675	1690	1675	1665
Jul	1568	1555	1576	1568
Oct	1430	1398	1440	1420
Jan	1493	1492	1530	1520
Apr	1522	1493	1510	
BFI	1649	1642	1649	

Turnover 321 (308)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
May	136.25	137.80	137.25	137.00
Jul	137.25	138.40	138.25	137.25
Sep	114.15	114.15	114.15	
Nov	116.65	116.80	[illegible]	
Jan	120.40	123.60	120.50	120.40
Barley	Close	Previous	High/Low	
Sep	107.90	108.10		

Turnover: Wheat 201 (379), Barley 0 (3). Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Jun	120.3	120.4	120.5	120.0
Aug	114.5		115.0	114.5
Oct	113.3	114.0	114.0	113.5
Nov	110.8	111.2	111.0	110.5
Jan	108.3	107.0	108.5	108.0

Turnover 58 (100) lots of 3,250 kg

SUGAR – London FOX

	Close	Prev.	High	Low	Vol
Indx	140.35	141.18			
Jun	141.00	142.10	142.00	141.00	90
Jul	141.50	141.50	142.00	141.50	100
Sep	142.70	142.50	142.70	142.50	50
Oct	142.40	142.20	[illegible]	[illegible]	[illegible]
Dec	143.00	142.90	143.00	143.00	[illegible]
Mar	143.30		143.40	143.30	20
Jun	143.00	143.00	144.00	143.30	20

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 14,178 lots
Cash	1304-6	1311-3		1300-1		
3 months	1333-4	1340-1	1343/1325	1328-9	1341-3	76,457 lots
Copper, Grade A (£ per tonne)						Total daily turnover 33,062 lots
Cash	1271-3	1281-3	1277/1270	1276-8		
3 months	1287.5-8	1288-9	1298/1281	1290-1	1288-9	111,618 lots
Lead (£ per tonne)						Total daily turnover 1,654 lots
Cash	321-3	318.5-9.5		320-0.5		
3 months	334-5	331.5-2	335.5/332	333-4	334.5-5	13,796 lots
Nickel ($ per tonne)						Total daily turnover 3,326 lots
Cash	8300-25	8325-40		8290-310		
3 months	8360-75	8365-70	8450/8275	8340-50	8380-90	10,446 lots
Tin ($ per tonne)						Total daily turnover 2,353 lots
Cash	5745-55	5790-800		5785-95		
3 months	5825-35	5870-80	5880/5825	5860-5	5830-50	6,583 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 8,762 lots
Cash	1081-2	1081-3	1081/1080	1080-1		
3 months	1094-5	1095-7	1103/1093	1093-4	1095-6	28,764 lots

LME Closing £/$ rate: SPOT: 1.7805 3 months: 1.7275 6 months: 1.7061 9 months: 1.6937

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	355.80-356.20	
Opening	358.90-359.30	
Morning fix	358.35	205.268
Afternoon fix	356.00	203.196
Day's High	359.00-359.40	
Day's Low	355.50-355.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.22	6 months	5.14
2 months	5.19	12 months	5.13
3 months	5.19		

Silver fix	p/fine oz	US cts equiv
Spot	234.60	410.00
3 months	241.25	416.00
6 months	247.40	422.05
12 months	259.60	435.85

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	356.50-357.50	203.50-204.00
Maple leaf	365.00-366.00	208.35-208.85
New Sovereign	86.00-87.00	49.00-49.50

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1300	127	149	2	7
1350	47	75	22	31
1400	9	29	83	84
Copper (Grade A)	Calls		Puts	
2100	150	158	17	42
2200	82	99	48	82
2300	37	57	103	138
Coffee	Jul	Sep	Jul	Sep
500	56		1	
550	19	42	14	15
600	4	17	49	40
Cocoa	Jul	Sep	Jul	Sep
550	54		2	
600	17	50	15	18
650	3	24	51	42
Brent Crude	Jul	Aug	Jul	Aug
1850	117		22	
1900	63		38	
1950	51	87		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	358.0	359.9	356.0	356.0
Jun	357.1	360.9	360.5	356.0
Jul	358.6	362.6	0	0
Aug	359.6	363.4	363.3	358.4
Oct	362.6	366.4	365.4	362.6
Dec	365.7	369.5	369.5	364.8
Feb	369.0	372.7	369.4	369.4
Apr	372.0	375.7	0	0
Jun	375.4	379.1	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	393.4	396.4	396.0	391.0
Oct	397.7	400.7	400.0	396.0
Jan	401.8	404.7	403.5	403.6
Apr	405.4	408.3	0	0
Jul	409.4	412.3	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	400.8	410.0	403.0	398.0
Jun	401.2	410.7	0	0
Jul	403.8	413.3	412.0	400.0
Sep	408.6	418.3	416.5	408.5
Dec	415.4	425.3	425.0	411.0
Jan	417.4	427.4	0	0
Mar	422.9	433.0	425.5	424.5
May	428.1	438.4	0	0
Jul	433.3	443.8	442.0	435.0
Sep	439.0	449.7	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	99.40	100.20	0	99.30
Jun	99.10	99.90	99.60	98.90
Jul	98.20	98.90	98.90	97.30
Aug	97.80	98.55	98.00	98.00
Sep	97.40	98.20	97.95	97.00
Oct	97.15	97.90	97.40	97.40
Nov	96.85	97.65	0	0
Dec	96.60	97.20	97.10	96.00
Jan	96.35	96.90	0	0
Feb	96.05	96.60	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jun	20.89	20.92	21.02	20.75
Jul	21.02	21.00	21.10	20.90
Sep	21.30	21.14	21.30	21.12
Oct	21.37	21.18	21.38	21.17
Nov	21.47	21.20	21.42	21.18
Jan	21.35	21.15	21.33	21.20
Feb	21.40	21.10	21.30	21.20

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jun	5575	5662	5685	5540
Jul	5835	5820	5850	5800
Sep	5870	5850	5870	5830
Oct	5965	5950	5975	5930
Dec	6170	6135	6170	6130
Jan	6160	6145	6170	6135
Feb	6050	6035	6050	6040
Mar	5830	5800	5840	5800

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	989	991	996	983
Sep	1017	1021	1024	1012
Dec	1060	1063	1068	1053
Mar	1101	1104	1105	1097
May	1125	1128	1127	1125
Jul	1154	1160	0	0
Sep	1181	1190	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	88.00	89.00	89.25	87.60
Jul	88.75	89.45	89.80	88.40
Sep	90.80	91.50	91.95	90.65
Dec	93.95	94.50	95.00	93.80
Mar	96.90	97.50	96.95	96.95
May	98.65	99.35	0	0
Jul	101.00	101.50	0	0
Sep	102.75	103.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	7.89	7.89	7.93	7.84
Oct	7.63	7.68	7.72	7.60
Mar	7.67	7.76	7.81	7.65
May	7.77	7.87	7.89	7.77
Jul	7.91	7.95	0	0
Oct	8.10	8.15	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	91.83	91.96	91.90	90.80
Oct	81.58	82.63	81.75	80.90
Dec	74.10	75.15	74.60	73.65
Mar	75.00	75.95	75.10	74.55
May	75.56	76.30	75.55	75.00
Jul	75.77	76.53	75.60	75.20

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	120.00	119.70	121.20	119.70
Jul	117.60	118.75	119.20	117.50
Sep	118.00	119.00	119.70	118.00
Nov	117.50	118.40	119.25	117.50

INDICES

REUTERS (Base: September 18 1931 = 100)				
	May 16	May 15	mnth ago	yr ago
	1715.2	1712.5	1727.6	1911.9
DOW JONES (Base: Dec. 31 1974 = 100)				
	May 15	May 14	mnth ago	yr ago
Spot	129.10	128.63	128.47	136.10
Futures	127.25	126.65	128.96	133.64

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	583/0	582/0	585/4	581/4
Jul	573/0	571/2	574/6	571/6
Aug	576/4	574/6	578/4	576/0
Sep	578/6	576/2	579/4	577/4
Nov	587/0	584/2	587/6	585/4
Jan	597/6	595/2	598/4	596/6
Mar	609/0	606/0	609/4	608/0
May	617/4	616/0	619/0	617/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	19.73	19.66	19.88	19.66
Jul	19.91	19.85	20.08	19.85
Aug	20.08	20.04	20.25	20.04
Sep	20.28	20.22	20.40	20.26
Oct	20.43	20.39	20.60	20.43
Dec	20.77	20.70	20.93	20.70
Jan	20.92	20.90	21.05	20.90
Mar	21.23	21.11	21.33	21.23

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	170.2	170.2	171.0	169.6
Jul	172.4	172.2	173.4	171.8
Aug	173.8	172.9	174.2	173.0
Sep	174.7	174.2	175.2	174.2
Oct	175.6	175.1	175.8	175.0
Dec	177.7	177.0	178.2	177.1
Jan	178.2	178.0	178.5	178.0
Mar	1179.2	1178.7	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	239/2	238/0	239/4	237/4
Jul	246/4	245/4	247/4	245/4
Sep	246/0	245/4	247/0	245/2
Dec	248/0	246/2	247/0	244/6
Mar	253/4	253/0	253/6	252/0
May	257/0	257/2	258/0	257/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	283/4	284/0	285/0	283/0
Jul	289/2	290/6	292/2	289/0
Sep	298/2	299/0	300/2	297/6
Dec	310/0	311/6	313/0	310/0
Mar	318/0	320/0	320/4	318/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	74.77	74.77	74.87	74.60
Aug	72.80	72.72	72.87	72.70
Oct	74.62	74.60	74.72	74.55
Dec	75.07	75.05	75.27	75.00
Feb	74.82	74.82	74.95	74.80
Apr	75.42	75.50	75.70	75.40

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	57.92	57.70	58.10	57.30
Jul	56.60	56.32	56.70	55.75
Aug	53.37	53.35	53.52	52.90
Oct	48.02	48.05	48.27	47.75
Dec	47.62	47.65	47.95	47.60
Feb	47.60	47.70	47.70	47.40
Apr	45.82	45.97	45.95	45.60

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	63.10	62.75	63.25	61.10
Jul	59.60	59.75	61.00	59.00
Aug	56.70	56.65	58.15	55.07
Feb	57.30	57.00	57.90	56.30
Mar	57.40	57.40	0	57.00

LONDON STOCK EXCHANGE

Brighter tone as Spain reduces rates

THE HANSON factor came to the rescue of UK equities yesterday as the move by the UK conglomerate towards ICI sharpened the market's appetite for takeover speculation. However, the focus on ICI tended to mask a favourable response by market strategists to the unexpected reduction in key interest rates in Spain, a move which has previously been the signal for action on UK base rates. "We regard this as a clear sign that UK rates will be cut within ten days," said Mr Roger Palmer of Kleinwort Benson Securities.

The renewed advance in ICI shares, which took them yesterday to a premium of 6 per cent on the price paid by Hanson for its 2.82 per cent stake, made it clear that the market sees the move as just the first act in a major investment drama. The market expects either a bid for ICI at around £16 a share, or the appearance of a white knight, perhaps in the shape of one of the oil companies, which would be more politically acceptable as a bidder for Britain's blue chip chemical company. Turnover in ICI stock reached 10m shares.

On the back of the ICI excitement, market firms took a close look at other leading stocks regarded as possible takeover targets. There was a swift mark-up of shares in the merchant banks, which can be expected to play a role in any further takeover of speculative action.

The market opened higher and turned off only briefly as it digested news of a £387m rights issue call from Argyll Group, the food retailer. This significant addition to its funding burden failed to upset the market in its newly confident mood.

Encouraged also by good trading results for the first quarter of the year from Shell, the equity market swiftly moved to a gain of 21.7 on the Footsie scale at mid-morning, bringing the index to within 20 points of the 2,500 mark lost only at the beginning of this week.

The advance was soon stemmed, in part as ICI came off the top but also as some profits were taken elsewhere as traders decided not to wait for the end of the equity trading account, which closes this afternoon. A firm opening on Wall Street, where the Dow Average put on 24 points during London hours, helped confidence in the UK market.

The final reading put the FT-SE Index at 2,471.9 for a gain on the day of 12.5 points. While the market remained cautious ahead of the bad news for the government expected overnight from the parliamentary by-election in Monmouth, the mood at last night's close was brighter than it had been for the past week.

Seaq turnover increased smartly to 496.8m shares from the 423.4m of the previous session. The focus on ICI and on similar large blue chip stocks is likely to have boosted the level of retail or customer business on which the market must depend for its financial health.

However, there were new hints yesterday that senior market firms were planning staff cutbacks in the face of the fall in market volumes since the end of the first quarter of this year.

There was little response in the stock market to the day's batch of data on the UK economy, which appeared to give some indications that gloom overhanging the UK economy may be lifting slightly. The increase in the April unemployment figure was regarded as at least no worse than market expectations and therefore an encouraging indication of economic prospects.

Account Dealing Dates

First Dealings:	Apr 29	May 20	Jun 3
Option Declarations:	May 16	May 30	Jun 13
Last Dealings:	May 17	May 31	Jun 14
Account Day:	May 28	Jun 10	Jun 24

*New-time dealings may take place from 9.30 am two business days earlier.

Heavy trading lifts ICI

ICI continued its powerful advance, ticking up 70 points in early trading and then pulling back as some buyers took profits. The stock closed 48 stronger on the day at 1288p after volume of 10m shares.

Marketmakers said the stock attracted considerable American buying yesterday, as well as after the official close of trading on Wednesday. However, some said it had become more difficult to trade as fewer dealers had the confidence to go against the prevailing trend.

There was widespread feeling that Hanson may ultimately follow up its purchase of a 2.8 per cent stake in ICI with a full bid at around the £15 to £16 a share level, valuing the company at about £11.3bn.

Because Hanson's ICI shareholding has caused uncertainty among its own shareholders, Hanson stock saw heavy two-way business. The price was unchanged at 220½p on a turnover of 14m. Smith New Court, the securities house which carried out the deal, added 7 at 142p.

Shell welcomed

The market gave a warm reception to Shell's first-quarter figures, which were at the very top of market estimates. Historic cost net income of £847m compared with projections which had ranged from as low as around £575m to £815m. Replacement cost net income of £1.23bn topped most forecasts.

Hoare Govett's Mr Nick Antill said Shell remained his favourite among the majors and raised his full year replacement cost forecast to £3.4bn. He added: "The stock remains a buy until it moves to a market yield."

Mr Nick Clayton at Smith New Court said the figures reinforced the view that the stock is still the quality major. Kleinwort Benson's Mr Philip Lambert was more cautious and said the market had expected an excellent batch of figures. Mr Jeremy Hudson at Shearson Lehman raised his forecast of replacement cost income for the year to £3.5bn and recommended clients to switch into the stock from BP. "We believe dividend growth at Shell will comfortably outstrip that of BP," Mr Hudson added. Mr Fergus MacLeod at County NatWest pencilled in a replacement cost forecast of £3.65bn.

Shell moved ahead to 511p before slipping back to end a net 2½ firmer at 505p after a good turnover of 4.3m shares.

Merchant banks up

The merchant bank sector was galvanised by the prospect of a fresh wave of big corporate fees if, as many expect, Hanson builds on its 2.82 per cent stake in ICI and launches a full bid for the UK chemical giant.

Dealers took the view that even if Hanson does not make a full bid, another possible predator could emerge or ICI may well embark on a series of defensive corporate moves, any of which would generate considerable fees.

S.G. Warburg, whose securities arm is ICI's joint broker and whose merchant banking side acts as one of ICI's financial advisers, moved up 12 to 458p, having touched 460p.

Hambros added 6 at 275p but the market remained on the alert for signs of initial moves by Banco Bilbao Vizcaya to place its near 6 per cent stake in the merchant bank. Kleinwort Benson edged up 2 to 334p.

Allied-Lyons benefited from the view that Lord Hanson's ICI stake was, according to some analysts, a "smokescreen bid" disguising the fact that Hanson may intend to focus his attention on the food group. There was also genuine buying and the shares closed 21 ahead at 575p on a turnover of 6.4m shares.

The launch of a hefty analysis on Reuters by broker Henderson Crosthwaite and a series of presentations to institutions were seen as a spur to the stock, which put on 12 to 820p. Henderson analyst Mr Brian Newman said: "American selling which has depressed the price appears to be drying up, and we feel the company will have boosted its net cash by £133m by June, so considerable interest is being generated."

Argyll slipped 10 to 297p after the company made a £387m rights offer to finance its stores opening programme. The 158m extra shares, priced at 250p, were actively taken up by institutions.

The rights issue refocused attention on to the increased competition among the big supermarket chains. Tesco declined 5 to 278p and J. Sainsbury lost 7 to 377p. Both are committed to aggressive expansion plans and have already raised funds in the market.

Asda has suffered most from the threat of greater competition. With its shares down by almost a quarter in the last eight weeks, a question mark hangs over any fund-raising exercise. There were also suggestions that institutional shareholders are pressing for top level management changes. Asda finished 3¼ lower at 108½p on turnover of 8.9m.

British Gas put on another impressive showing, closing 5 higher at 241p on 7.8m; specialists said there were stories that Lord Hanson's stake in ICI was being used to sound out the government's response to an attack on one of the UK's main industries, and that his ultimate target in the UK remained the break-up of British Gas.

Calor held at 215p with the market still expecting news that SHV, the privately-owned Dutch group, is about to issue a convertible bond against its 44.2 per cent stake in Calor. SHV also has a 9.14 per cent holding in Burmah, the shares of which eased 2 to 548p.

Analysts' views varied considerably on Diploma after Wednesday's disappointing half-yearly results. Several thought the shares were overvalued but County NatWest, while admitting the figures justified that day's 5 per cent share price fall, rated the company "a quality play with excellent exposure to economic recovery". Further weakness should be treated as a buying opportunity, said County, as the shares recovered 6 to 242p.

The speculation and intrigue which has developed around ICI, conjuring up hopes of a cyclical recovery in the chemical industry, began to affect other stocks in the sector. Laporte, the most highly rated issue behind the leaders, met revived investment support and rose 7 to 582p.

Caird Group, the waste management company, advanced 5 further to 83p on speculation of a bid from either majority stakeholder Severn Trent Water or sister plc Wessex Water Management. The story is that Wessex will buy Severn's near 30 per cent holding and then launch a full takeover. Severn withdrew a 100p cash per share offer for Caird last December.

A steadily rising market all this week, laboratory equipment supplier Phillip Harris accelerated more strongly yesterday. A report of a £7m Indonesian contract to supply and install scientific equipment touched off the run on the stock, which ended 13 higher at 121p.

Increased annual profits coupled with an upbeat statement on current trading lifted Warner Howard 7 to 210p. The company is a leading commercial laundry supplier, which also sells and rents vending machines and equipment.

Guinness was boosted by a confident chairman's statement and climbed 11 to 947p. Grand Metropolitan, the food, drinks and retail group, continued a slide begun on Wednesday when the group announced lower interim profits. The shares fell 12 to 767p.

Burton shed a further 4 to 79p on turnover of 6.8m following a broker's lunch and talk of weak trading.

Central Independent Television forged ahead 52 to 650p after announcing that the company had taken a 20 per cent stake in Meridian Broadcasting, the company formed to apply for the franchise in south and south-east England.

Royal Insurance advanced 13 to 438p, with a first-quarter loss of £63m said to have been much smaller than the market had feared.

The power generators attracted renewed strong support, with dealers saying the forthcoming flotation of the Scottish generators was almost guaranteed success. National Power appreciated 2½ to 138p on 11m shares and PowerGen 3½ to 143p.

Talk of an imminent and highly positive broker's circular on the housebuilding sector drove the group sharply higher and Tarmac in particular, which finished 10 better at 249p.

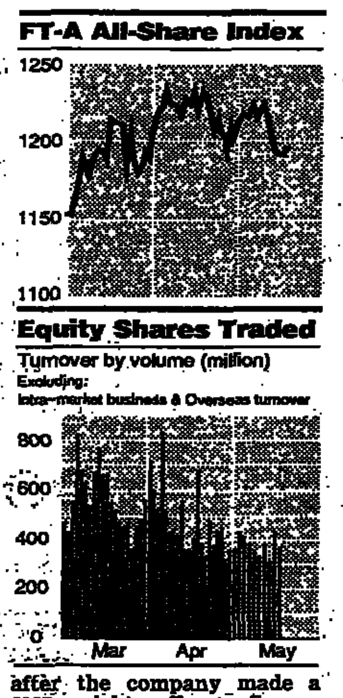
Tomkinsons underlined further the severe downturn in the UK carpet market by reporting sharply lower interim figures yesterday. Profits fell over 50 per cent and, although the mid-term dividend payment was maintained, the shares lost 12 to 261p.

Rival manufacturer Richards revealed an even more depressing situation on Wednesday – half-yearly profits dropped to £0.5m from £1.7m – and the price of its stock reacted further yesterday to close 4 down at 78p.

■ Other market statistics, including the FT-Actuaries share index, Page 26

FT-A All-Share Index

Equity Shares Traded



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (66).
BRITISH FUNDS (1) Exch. 3pc Gas 1990-95, AMERICANS (1) PHH, BANKS (3) Nat. Aust., Ottoman, TSB Bk. Channel Islds., BREWERS (4) Allied-Lyons, Guinness, Do. 5¾pc Prf., Do. 8¾pc Cnv. Ln., CHEMICALS (3) Caird, Do. 7p Prf. 2009, ICI, STORES (3) Amber Day, Fine Art Devlps., Ritz Design, OS, Sherwood, ELECTRICALS (1) Kewill Sys., ENGINEERING (1) Wagon Indl., FOODS (6) Dalepak, Iceland Frozen, Morrison (Wm), Do. 5¼pc Prf., Shoprite, Sims Food, INDUSTRIALS (16) Amberley, Amer. Bus Sys., Astra AB B, Boxmore, Channel Express, Cowan de Groot, Haemocell, Harris (Ph), Hays, Hutch Whmp., Office & Elect., Quotient, Silentnight, Swire Pac. A, Toye, Warner Howard, INSURANCE (1) Royal, LEISURE (3) Border TV, Central TV, Scott. TV, MOTORS (1) Gowring, PAPERS (3) Birkdale, Repola, Stat-Plus, SOUTH AFRICANS (1) Gold Fields Prp., TEXTILES (1) Parkland A, TRANSPORT (3) Bergesen d-y A, Dawson, Tibbett & Britten, TRUSTS (4) Dartmoor, Murray Smlr. Mkts., Perpetual, Scot. Cities, OILS (3) Petrofina, Santos, Total-Cie Francaise Des Pet., MINES (5) Beatrix, Doornfontein, Elsburg, Gold Fields SA, Winkelhaak.

NEW LOWS (31).
BANKS (1) Reflex Invs., BUILDINGS (1) Jackson, STORES (1) Gent (S.R), ELECTRICALS (1) Jones Stroud, FOODS (1) ASDA, HOTELS (1) Harmony Leis., INDUSTRIALS (3) BLP, Business Tech., Tamaris, INSURANCE (1) Trade Indemnity, LEISURE (2) TVS Ent., Do. 7.4pc Prf., MOTORS (1) Caffyns, NEWSPAPERS (1) Haynes Publg., PROPERTY (3) Clayform, Cussins, Dunloe House, TRUSTS (8) Aberdeen, Baillie Gifford Tech., Drayton Eng. & Intl. Wrnts., Intl. Inv. Tst. Jersey, Investment Co., OILS (5) Aviva Pet., Blackland, Clyde Pet., Sovereign, Teredo Pet., XCL Sunrise, MINES (2) Cluff Res., Spargos, Westralian Res.

APPOINTMENTS

Finance director of MAI

■ Mr Peter Hickson has been appointed finance director of MAI. He held senior financial posts at Tarmac and Wimpey, and was finance director and deputy chief executive at United Scientific Holdings, and chief executive of Tern.

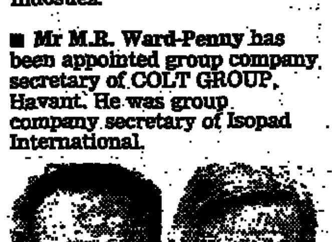
■ Mr Christopher Burnett, chairman of Moorfield Holdings, has been appointed non-executive chairman of FOGARTY, Boston, Lincs. He is also a non-executive director of Vivat Holdings, and Wolstenholme Rink.

■ Mr Michael R. Durant has been appointed managing director, and Mr Roger Austin becomes sales director, of ELMTUBE, Aylesbury, a Wolseley group subsidiary. Mr Durant was operations director at Boxmag-Rapid, and Mr Austin was UK sales manager of Nu-way - both Wolseley companies.

■ Mrs Sheila Clark has been appointed chairman of PACKAGING INNOVATION. Mr Chris Griffin has been promoted to managing director.

■ GARTMORE VENTURE CAPITAL, private equity arm of Gartmore Investment, has appointed Miss Mary Douglas as a director. She was with Midland Montagu Ventures. Gartmore is owned by Banque Indosuez.

■ Mr M.R. Ward-Penny has been appointed group company secretary of COLT GROUP, Havant. He was group company secretary of Isopad International.



■ Mr René Chinnery *(pictured left)* has been appointed managing director, and Mr Paul Dawson *(right)*, previously managing director, becomes chairman of JARDINE CREDIT INSURANCE. Mr Chinnery was chief executive of Bowring Credit.

■ Following the sudden death of Mr Ronald Savage, HEYWOOD WILLIAMS GROUP has appointed Mr Terence Martin as group company secretary. He will continue as group financial controller.

■ THE HOUSING CORPORATION has appointed Mr Roger Bright as deputy chief executive (finance and administration) from August. He succeeds Mr Brian Ridley who retires in July. Mr Bright is director, local government review team, Department of the Environment.

■ GREIG MIDDLETON, independent stockbroker, has appointed Mr Brian Tora as director of marketing. He was head of retail marketing at James Capel, where he was a director of James Capel Unit Trust Management, and James Capel Financial Services.

■ Mr Nicholas Wrigley has been appointed to the board of N.M. ROTHSCHILD & SONS. He has recently returned to the corporate finance division in London following secondment to Melbourne with Rothschild's associated Australian brokers, E.L. & C. Baillieu.

■ Mr Jon Pither has become a director of the PATHFINDERS GROUP. He was formerly a main board director of Glynwed International and before that was managing director of Amari, which was floated in 1984 and bought by Glynwed in 1988.

■ CLAIRMONT has appointed Mr Stuart Henderson as non-executive director and Mr John Perry as finance director.

■ Mr Michael B.G. Gore has been appointed a vice chairman of S.G. WARBURG GROUP. He has been group finance director since 1986 and is chairman of S.G. Warburg Group Management.

■ Mr Stephen Jones has been appointed managing director of Thurgar Bollé, and Bardex (Plastics), Kettering, the injection moulding and trade extrusion subsidiaries of THURGAR BARDEX. He was deputy managing director.

■ Mr David J. Williams has been elected corporate development director of USHER-WALKER.

■ CAPITAL HOUSE, investment management company of The Royal Bank of Scotland, has appointed Mr Michael Roberts *(pictured)* as senior investment manager with responsibility for Japanese equities. He held a similar post at Prudential Portfolio Managers. Ms Hilary Small has been promoted to senior manager, institutional fund management.

■ Mr Elio Del Maestro has been appointed vice president, DEL MONTE FOODS INTERNATIONAL, and managing director operations; and Mrs Jill Mengham becomes vice president DMFI, and managing director corporate marketing and business development.

■ Mr Harry Kulasinghe has been appointed managing director of STARKSTROM (SCOTLAND), Strathclyde. He was technical director, systems engineering, with Yard.

FINANCIAL TIMES STOCK INDICES

	May 16	May 15	May 14	May 13	May 10	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	84.24	84.20‡	84.33	84.78	84.94	78.49	85.88 (19/2)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.58	93.57	93.91	94.10	94.11	86.93	94.84 (5/4)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1938.8	1926.2	1925.3	1942.6	1974.5	1796.7	2014.5 (5/4)	1606.3 (16/1)	2014.5 (5/4/91)	49.4 (26/6/40)
Gold Mines	156.5	153.8	144.5	144.2	145.7	217.1	179.7 (14/1)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2471.9	2459.4	2463.7	2486.6	2524.3	2284.8	2545.3 (5/4)	2054.8 (16/1)	2545.3 (5/4/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1151.25	1146.26	1154.15	1163.36	1172.17	-	1176.39 (15/4)	938.62 (16/1)	1176.39 (15/4/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.94	4.98	4.98	4.94	4.87	5.12				
●Earning Yld %(full)	8.66	8.77	8.80	8.85	8.73	11.53				
●P/E Ratio(Net)(☆)	14.27	14.08	14.03	13.89	14.08	10.49				
SEAQ Bargns 4.45pm	30,159	26,129	26,463	26,792	31,104	30,801				
Equity Turnover(£m)†	-	850.81	1082.10	591.02	807.77	1192.41				
Equity Bargains†	-	26,076	28,279	26,343	31,242	30,801				
Shares Traded (ml)†	-	375.4	439.3	305.6	388.3	506.5				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 13.88 ‡ Correction

Ordinary Share Index, Hourly changes Day's High 1947.3 Day's Low 1923.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1930.9	1927.0	1939.4	1947.1	1942.3	1942.1	1941.6	1940.3	1937.9

FT-SE 100, Hourly changes Day's High 2481,1 Day's Low 2454.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2464.1	2458.0	2475.6	2480.9	2476.9	2474.8	2474.6	2473.4	2470.2

FT-SE Eurotrack 200, Hourly changes Day's High 1154.82 Day's Low 1150.37

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1150.78	1151.80	1154.32	1152.74	1152.61	1153.09	1153.43

GILT EDGED ACTIVITY

Indices*	May 15	May 14
Gilt Edged Bargains	97.9	105.4
5 – Day average	92.9	90.6

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	2,300	78	+1	Dalgety	170	379	+1	Manpower	13	70½		Slough Ests	1,200	246	+6
ASDA Group	8,000	108½	-3½	De La Rue	256	355	+1	Manweb	7	250	+1	Smith (W.H.) A	788	381	-1
Abbey National	3,800	271	+6	Dixons	1,200	193	+1	Marks & Spencer	1,300	255	+2	Smith & Nephew	2,200	125½	+1
Albert Fisher	3,800	121½	-½	ECC Group	563	414	+4	Maxwell Comms.	150	222	+1	SmKl Beecham	2,000	765	+5
Allied-Lyons	6,400	575	+21	Eastern Elect.	784	182	+6	Midland Bank	3,500	217	+1	SmKl Beecham Uts.	187	3345	+37
Amstrad	2,500	72	-1	East Midland Elect.	188	200	+6	Midlands Elect.	292	209	+1½	Smiths Inds.	210	256	-1
Anglian Water	646	303	+7	Enterprise Oil	2,000	523		NatWest Bank	2,300	317	+4	Southern Elect.	771	206	+4
Argos	458	305	+2	Eurotunnel Units	298	472	+7	National Power	11,000	138	+2½	South Wales Elect.	49	255	+5
Argyll Group	4,200	297	-10	FKI	2,600	58		Next	546	25½	-1	South West Water	140	306	+2
Ass. Brit. Foods	261	504	-1	Ferranti	4,200	11	+1	North West Water	811	303	+8	South West. Elect.	194	207	+5
BAA	4,200	445	+6	Fisons	1,100	469	+4	Northern Elect.	32	208	+4	Southern Water	389	273	+3
BAT Inds	1,900	677	-7	Gen. Accident	1,800	540	+15	Northern Foods	116	486		Standard Chartd.	170	364	+9
BET	1,600	181	+3	General Elect.	4,000	188		Norweb	92	210	+3	Storehouse	875	111	+1
BICC	308	422	+2	Glaxo	2,000	1073	-1	Pearson	561	757	+12	Sun Alliance	1,400	372	+8
BOC	3,800	540	-3	Glynwed Int	507	236		P & O	387	578	+3	T&N	68	155	+2
BPB Inds.	1,000	219	+4	Granada	930	179	+1	Pilkington	1,900	184	+5	TI Group	373	490	
BTR	2,100	382	+3	Grand Met.	2,300	767	-12	PowerGen	11,000	143	+3½	TSB	2,000	151	+3½
Bank of Scotland	1,100	111	+½	GUS A	577	1183	-10	Prudential	5,400	226	+4	Tarmac	3,200	249	+10
Barclays	2,200	445	+8	GRE	2,100	208	-1	RHM	202	383	-2	Tate & Lyle	885	361	-2
Bass	487	950	+1	GKN	3,800	337	+2	RMC	352	678	-1	Taylor Woodrow	423	235	+5
Beazer	688	172	-2	Guinness	1,400	947	+11	RTZ	1,800	526	+4	Tesco	6,000	278	-5
Berisford Int.	1,200	38		Hammerson 'A'	804	629	+5	Racal	2,600	224	-2	Thames Water	1,100	313	+1
Blue Circle	2,500	254		Hanson	14,000	220½		Racal Telecom	482	370	-3	Thorn EMI	118	718	+1
Boots	1,500	368	+1	Hanson Warrants	940	38½	+2	Rank Org.	208	709	-3	Trafalgar House	1,600	257	-1
Bowater	708	687	-1	Harrisons Crosfield	1,500	150	-2	Reckitt & Colman	220	1490	+10	Trusthouse Forte	773	265	-1
Brit. Aerospace	648	610	+2	Hawker Sidd.	1,000	570	+10	Redland	311	583	+6	Ultramar	681	312	+1
British Airways	4,000	189	+4	Hillsdown	679	245	+2	Reed Intl.	787	420	+2	Unigate	42	289	-1
British Gas	7,800	241	+5½	IMI	525	232	-1	Reg. Elect. Pkg Uts	2	£2110	+27	Unilever	932	729	+15
British Land	341	382	+1	ICI	10,000	1288	+48	Renold	20	287		United Biscuits	1,100	365	
BP	8,300	325	-½	Inchcape	1,300	328	-3	Reuters	652	820	+12	Utd Newspapers	394	348	+8
British Steel	2,700	129	-1	Kingfisher	2,100	491	+1	Rolls Royce	8,300	158	+1	Water Package Uts.	2	£3030	+47
British Telecom	5,400	364	+1	Ladbroke	2,300	267	-5	Rothmans	801	849	-5	Wellcome	489	583	-4
Bunzl	319	92	+1	Land Securities	1,300	527	-1	Ryl Bk Scotland	1,400	183	+2	Welsh Water	540	332	+4
Burmah Castrol	349	548	-2	Laporte	83	582	+7	Royal Insurance	1,700	438	+13	Wessex Water	458	333	+5
Burton	6,800	79	-4	Legal & General	734	434	+8	Saatchi	3,700	19¼		Whitbread 'A'	506	479	-3
Cable & Wire	1,000	622	-1	Lloyds Abbey	2,800	403	+3	Sainsbury	2,800	377	-7	Wiggins Teape	1,300	234	+6
Cadburys	1,800	358	-3	Lloyds Bank	772	340		Scottish & New.	880	390	+3	Williams Hldgs.	1,000	268	-2
Calor Group	104	215		LASMO	401	340	+6	Sears	7,000	89	+1	Willis Corroon	2,000	208	+7
Carlton Comms.	158	440		London Elect	198	208	+2	Sedgwick	577	252	+6	Wimpey	23	208	+2
Coats Viyella	2,800	148	-2	Lonrho	408	254		Seeboard	42	198	+6	Yorkshire Elect.	225	240	+2
Comm. Union	1,800	501	+2	Lucas	888	157		Severn Trent Water	2,400	280	+6	Yorkshire Water	784	329	+2
Cookson	3,900	122	-4	MB Caradon	387	223		Shell Transport	4,300	505	+2½				
Courtaulds	1,200	403	+11	MEPC	1,000	514	+2	Siebe	121	387	-4				

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

THE OPTIONS market was dominated by speculation about whether Hanson intended to make a full bid for ICI. Hanson's move has also rekindled speculation about the likelihood for a bid for other FT-SE stocks.

Turnover in ICI options rose to 3,886 contracts, equivalent to 3.8m shares. The takeover talk spurred buying of calls and selling of puts, with investors hoping for further rises in ICI's share price.

The July 1300 calls were the most popular, although there was also interest in the 1200 and 1250 series. Aside from call buying, one broker executed a technical trade which involved buying puts.

The speculation about Hanson's intentions triggered active dealing in options on Hanson stock. The May 220 puts were the most popular series. Shares in Allied-Lyons, mentioned as a possible bid candidate, rose as a buyer of July 600 calls emerged early in the session.

The re-emergence of takeover talk has fed hopes of a stock market rise over the summer. The June 2,500 calls were bought as a cheap way of gaining exposure to the London market.

The June FT-SE 100 contract rose 10 to 2,478, but held a small premium to the spot index. By the close June was just 8 points above the FT-SE index, against fair value of 9.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five to Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS – Contd

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Over Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Undated						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Index-Linked						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for August 1990: 128.1 and for March 1991: 131.4.

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

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AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

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LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRANSPORT—Contd

INVESTMENT TRUST

INVESTMENT TRUST—Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

Stewart Ivory Unit Tst Mgrs Ltd (1500)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5	282.5	282.5	302.0	-6.7	1.43
(Accum Units) ♥	5	330.5	330.5	353.4	-7.7	1.43
British ♦	5	786.7	786.7	832.3	+0.8	5.78
(Accum Units) ♦	5	1299.5	1299.5	1332.5	+1.3	5.78
European ♦	5	329.7	329.7	352.5	+0.4	1.51
(Accum Units) ♦	5	353.4	353.4	377.8	+0.4	1.51
Japan ♦	5	118.6	118.6	126.0	-1.7	-
(Accum Units) ♦	5	119.5	119.5	127.0	-1.7	-
New Pacific ♦	5	168.0	168.0	178.6	+1.1	2.12
(Accum Units) ♦	5	169.3	169.3	180.0	+1.1	2.12
PEP	5	130.0	131.9	139.6	.....	3.62
Mngd Equity	5	118.5	120.4	127.4	+0.2	3.66
Mngd Equity Acc	5	122.6	124.6	131.8	+0.2	3.66
Mngd Cash ♦	5	96.43	96.43	101.2	.....	11.82
(Accum Units)	5	111.7	111.7	117.2	.....	11.82
Mngd Fixed Int Acc	5	118.2	118.2	125.2	.....	6.68
Majority Stig	1	100.34	100.34	101.34	+0.03	11.53
Majority Stig Acc	1	103.14	103.14	104.17	+0.03	11.53

Storebrand Intl Inv Mngrs Ltd (1200)F
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
International May 15	0	49.98	49.98	50.38	.....	0.43

Sun Alliance Unit Tst Mngmt Ltd (1200)F
Sun Alliance House, Horsham 0403 56293

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equity	6	583.5	591.4	632.5	+3.2	3.46
North America	6	73.22	73.22	78.31	-1.96	1.14
Far East	6	93.50	93.50	100.0	-1.5	0.77
W'wide Bond	6	45.29	45.29xd	48.16	+0.04	6.30
W'wide Financial	6	34.48	34.48	36.88	+0.04	3.60
W'wide Technology	6	40.79	40.79	43.63	-0.58	1.03
European	6	65.91	65.91	70.49	+0.12	1.30
Equity Income	6	70.08	70.08	74.95	+0.60	5.99
Portfolio	6	56.99	56.99xd	60.95	-0.01	3.16

Sun Life of Canada Unit Mgrs Ltd (1000)H
Basingview, Basingstoke, Hants 0800 525725

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Growth	6	24.24	24.24	25.93	-0.35	0.57
Managed Assets	6	102.23	102.81	109.96	+0.27	4.19
UK Income	6	34.02	34.54	36.95	+0.18	4.75
UK Growth	6	32.79	33.23	35.55	+0.17	3.52
Worldwide Growth	6	23.42	23.42xd	25.05	-0.14	1.49

Edinburgh Fund Mngrs PLC
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
American May 15	154.1	158.3	-1.4	1.56
Managed May 15	142.6	146.9	-1.5	3.91
Japan May 16	120.2	123.6	-9.1	0.08
Sm Jap Cos May 17	572.7	588.4	-34.4	0.08

Fidelity Investment Services Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Mngd Pens P'folio	128.5	132.9	+0.50	3.84

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Am Exempt	£441.65	448.22	-8.09	1.74
Gen Exempt	£128.67	131.55	-0.59	3.93
Jap Exempt	£486.68	496.01	-4.86	1.12
Pacific Exempt	£97.43	99.414	-0.96	2.43
Cont Euro Exempt	£96.67	98.53	-0.35	2.26
Natural Exempt May 16	£125.21	128.35	-2.84	5.07
Amer Indxd Expt May 16	£97.62	98.60	-4.48	3.04
Japan Indxd Expt May 16	£66.30	67.62	-1.79	0.72
Euro Indxd Expt May 16	£95.24	97.15	-0.07	2.89
O'seas Indxd Expt May 16	£96.83	98.979	-8.02	2.22

Funds in Court*

	Bid Price	Offer Price	+ or -	Yield Gross
Capital May 1	903.22	906.92xd	.....	2.43
Gross May 1	190.86	192.40	.....	9.62
High Yield May 1	297.94	300.35	.....	6.88

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Mngd	51.41	52.49xd	+0.16	3.80

INVESCO MIM Management Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Mngd P'Folio	1171.0	1263.0	.....	-
Mngd Pens (Acc)	67.40	71.80	.....	-

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Property Jan 3	£2360.0	2675.0	.....	6.00
Inc Gth Prp Apr 16	£1325.0	1460.0	.....	7.20

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	104.1	109.5	+0.2	-
Pension Managed Fd	102.0	107.4	+0.5	-
Life Deposit Fd	106.7	112.3	....	-
Pension Deposit Fd	111.6	117.5	....	-

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	108.6	119.5	-0.5	-
Managed Growth	134.7	148.3	-0.9	-
Managed Opportunity	136.5	150.2	-1.3	-
NFMC Target Financial	98.7	106.2	-0.5	-
Pension Funds				
Managed Cautionary	118.6	129.7	-0.4	-
Managed Growth	142.2	156.3	-1	-
Managed Opportunity	136.9	150.6	-1.2	-
NFMC Target Mngd Pens	1471.2	1599.2	+0.6	-

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	159.7	168.2	....	-
UK Equity	166.6	175.4	....	-
Overseas Equity	134.5	141.6	....	-
Fixed Interest	143.0	150.6	....	-
Property	129.8	136.7	....	-
Index Linked	147.9	155.7	....	-
Deposit	155.5	163.7	....	-
With Profits (B)	127.8	134.5	....	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	347.7	366.0	+0.1	-
UK Equity	439.0	462.2	+2.0	-

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	+ or -	Yield Gross
Initial Equity	152.0	160.5	+0.5	-
Accum Equity	217.0	229.0	+1.0	-
Accum Managed	224.0	236.5	+1.0	-
Accum Five Star	168.5	178.0	-1.0	-
Accum World	121.5	128.5	....	-
Accum Lifetime	110.3	110.3	+0.5	-
Pens Acc Equity	234.5	247.0	+1.0	-
Pens Acc Managed	280.0	295.0	+1.0	-
Pens Acc Intl	208.0	219.5	+0.5	-
Pens Acc Deposit	197.5	208.5	....	-
Pens Acc Five Star	184.5	194.5	-1.5	-

Providence Capital Life Asse. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	226.6	239.1	+4.0	-
UK Fixed Int Acc	171.2	180.6	....	-
Intl Equities Acc	177.1	186.9	-0.4	-
UK Managed Acc	173.4	182.9	+1.3	-
Property Acc	225.5	237.9	....	-
Money Acc	128.4	135.5	....	-
Special Market Acc	138.5	146.2	+0.5	-
Japan Equity Acc	103.9	109.7	-1.6	-

Royal Heritage Life Assurance Ltd—Contd.

Shield Assurance Ltd

Swiss Life (UK) PLC

CMI Insurance Co Ltd—Contd.

Skandia Life Assurance Co Ltd

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Widows' Group

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

	Bid Price	Offer Price	+ or -	Yield Gross
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$760.74			
Fixed Income Shares	$983.33			
Yamaichi Capital Mangmt (Germany) Ltd				
Japan Meta Growth	$10.75		-0.10	-
Yamaichi ISS Fund	$9.02		-0.04	-
Yamaichi CB Plus Fund	$8.44		-0.02	-
Yamaichi Fund	$10.85		-0.52	-

IRELAND (SIB RECOGNISED)

SAM Fund Management Ltd (u)
19 Kildare Street, Dublin 010 353 1760 630

MI Global Asset Mangmt Co Ltd "MI Trusts"
MI Global Dollar ... $ 0.99 1.06

IRELAND (REGULATED)(**)

Bank of Ireland Unit Managers Ltd

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

Hill Samuel Fund Mgrs — Contd.
International Currency Fund

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sterling Managed ‡	5¼	26.08	26.08	27.60		-
US Dollar Managed ‡	5¼	29.50	29.50	31.22		-
Sterling ♦ ‡	0	24.88	24.88	24.88	+0.02	11.48
US Dollar ♦ ‡	0	37.90	37.90	37.90	+0.02	4.78
Deutschmark ♦ ‡	0	59.85	59.85	59.85	+0.01	7.67
Japanese Yen ♦ ‡	0	4.838	4.838	4.838		6.20
Swiss Franc ♦ ‡	0	46.61	46.61	46.61	+0.05	6.89
Irish Punts ♦ ‡	0	22.12	22.12	22.12	+0.01	6.46

INVESCO MIM International (Jersey) Ltd
PO Box 271, St Helier, Jersey 0534 73114

Lloyds Bank (CI) U/T Mgrs.
PO Box 195, St Helier, Jersey 0534 27561
Dealing daily

Midland Bank Fund Managers (Jersey) Ltd
PO Box 26, St Helier, Jersey 0534 606000

For MIM see INVESCO MIM

Royal Trust Jsy Fd Mngt Ltd (1400)F
PO Box 428, St Helier, Jersey 0534 76077

TSB Trust Funds (CI)
PO Box 538, St Helier, Jersey 0534 73494
TSB Offshore Investment Fund Ltd

JERSEY (REGULATED)(**)

TSB Trust Funds (CI)

Target Internat. Management (Jersey) Ltd

Tyndall International (Jersey) Ltd

Warburg Asset Management Jersey Ltd

Wardley Fund Managers (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

Henderson Management SA (u)
21-25 Allee Scheffer L-2520 Luxembourg 071-638 5757 or 010-352 462232
Henderson Horizon Fund

CB Fund International (u)
CB Fd Int ... $16.69

CM Investment Serial Funds
Global Gwth NAV ... $10.76

Capel-Cure Myers Intnl Fd Sicav (u)

Cedewalor (u)

LUXEMBOURG (REGULATED)(**)

Target International Fountain Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Global Managed	SFr2.58		-0.01	-
U.K.	SFr2.44		+0.01	-
Japan	SFr2.24			-
North American	SFr2.69		+0.01	-
Multicurrency Bond	SFr2.37		-0.04	-
North European	DM3.14		+0.02	-
Orient	SFr2.80		-0.02	-

Target International Ltd

Templeton Worldwide Investments

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

GT Management Plc

	Bid Price	Offer Price	+ or -	Yield Gross
GT Applied Science	$10.40			-
GT ASEAN Fd (z)	$47.36		-0.10	0.59
GT Asia Fd (z)	$19.60		+0.02	-
GT Asia Sterling (z)	£17.04		-0.08	0.06
GT Australia Fd (z)	$25.90		+0.10	0.97
GT Aust Small Cos	$10.79			-
GT Berry Japan Fd (z)	$29.79		+0.02	0.80
GT Berry Jap Stlg (z)	£19.01		-0.09	0.95
GT Biotech HHA Fd (z)	$16.90		-0.81	-
GT Bond Fund (z)	$17.07		-0.06	7.03
GT Deutschland Fd (z)	$12.03		-0.02	-
GT Dollar Fd (z)	$20.25		-0.24	0.78

NM Financial Mngt Intl Ltd
Int Resident Prop Fd. £10.904 1.009 ... 4.00

The New Zealand Fund
Manager Leadenhall Offshore Ltd
The NZ Fund ... $6.23 6.67

Newport International Management
Npt. Intl Securities ... $41.64
Npt. Intl Inc. Fd ... $20.20
Npt. Pacific ... $29.72

Nomura Warrant Fund 1990 Ltd
NAV ... $3.46

North Star Fund Managers (Cayman) Ltd

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pressure eases in the ERM

Pressure eased in the European exchange rate mechanism after the Bank of Spain cut its important money market intervention rate. This led to a reduction in Madrid wholesale interbank rates and to a decline of the peseta.

The Spanish currency remained well above its ERM partners, but moved down from its ceiling against the lowest placed French franc.

Lower Spanish rates followed a contraction of private *sector borrowing and slower* money supply growth, according to the Bank of Spain. It also came after this week's data showing that inflation was unchanged at 5.9 per cent in April, but the move was believed to be mainly the result of pressure from Spain's partners in the European Community.

The weakness of the franc against the peseta has prevented a reduction in French interest rates. The Bank of France left rates unchanged when adding liquidity to the Paris money market yesterday, but the Spanish cut has increased speculation that the French authorities will soon make a similar move.

At the Paris fixing the peseta was fixed below its ceiling against the franc for the first time since Monday, easing to FFr5.4715 per 100 pesetas from FFr5.4785. The franc was otherwise little changed, showing no reaction to Wednesday's change of French prime minister. The D-Mark eased to FFr3.3940 from FFr3.3948 at the fixing.

Confirmation that Mr Karl Otto Pöhl is to retire as president of the German Bundesbank, probably leaving at the end of October, failed to have much impact on the D-Mark. The German currency eased against the dollar and yen but was little changed within the ERM.

Sterling was firmer overall, but had a nervous undertone as the market tried to digest several unconnected factors. The Bank of England has sent repeated warnings against rate cuts, *but Spain's move and* expectations of a sharp fall in headline UK inflation today led to renewed speculation about lower base rates.

Figures on UK employment trends and industrial production were slightly better than forecast, but any support for the pound was offset by political nervousness as the market expected a bad result for the ruling Conservative party in the Monmouth by-election.

Sterling lost 30 points to $1.7450 and fell to Y240.00 from Y241.25, but rose to DM2.9600 from DM2.9550; to FFr10.0475 from FFr10.0300; and to SFr2.5125 from SFr2.5000. The pound improved to third from fourth strongest in the ERM, and its index rose 0.3 to 92.2.

The dollar lacked direction, with most attention focused on Europe. Stronger than forecast April US housing starts had no impact. The US currency rose to DM1.6970 from DM1.6900; to *SFr1.4405 from SFr1.4305; and* to FFr5.7575 from FFr5.7375, while easing to Y137.55 from Y137.95. On Bank of England figures the dollar's index fell to 65.3 from 65.4.

£ IN NEW YORK

May.16	Latest	Previous Close
£ Spot	1.7485-1.7495	1.7540-1.7550
1 month	0.87-0.85pm	0.89-0.87pm
3 months	2.32-2.29pm	2.43-2.40pm
12 months	6.96-6.86pm	7.20-7.10pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu May 16	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	127.670	-4.46	6.01	78
Italian Lira	1538.24	1531.10	-0.46	1.75	30
Sterling	0.696904	0.694498	-0.35	1.63	6
Belgian Franc	42.4032	42.3237	-0.19	1.47	16
Dutch Guilder	2.31643	2.31771	0.06	1.22	4
D-Mark	2.05586	2.05717	0.06	1.21	5
Irish Punt	0.767417	0.768293	0.11	1.16	1
Danish Krone	7.84195	7.86847	0.34	0.94	-9
French Franc	6.89509	6.98317	1.28	0.00	-62

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.17-4.12pm. 12 Month 6.96-6.86pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

May 16	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	12⅝ - 12⅜	12½ - 12¼	11⅞ - 11$\frac{13}{16}$	11$\frac{11}{16}$ - 11$\frac{9}{16}$	11½ - 11$\frac{7}{16}$	11$\frac{5}{16}$ - 11$\frac{3}{16}$
US Dollar	5¾ - 5½	5¾ - 5½	5$\frac{15}{16}$ - 5$\frac{13}{16}$	6$\frac{1}{16}$ - 5$\frac{15}{16}$	6$\frac{3}{16}$ - 6$\frac{1}{16}$	6⅝ - 6½
Can. Dollar	9 - 8¾	9 - 8¾	8$\frac{15}{16}$ - 8$\frac{13}{16}$	8$\frac{15}{16}$ - 8$\frac{13}{16}$	9 - 8¾	9$\frac{1}{16}$ - 8$\frac{15}{16}$
Dutch Guilder	9⅛ - 8⅞	9⅛ - 8⅞	9⅛ - 9	9$\frac{3}{16}$ - 9$\frac{1}{16}$	9$\frac{5}{16}$ - 9$\frac{3}{16}$	9$\frac{7}{16}$ - 9$\frac{5}{16}$
Swiss Franc	8¼ - 8	8¼ - 8	8¼ - 8	8$\frac{5}{16}$ - 8$\frac{3}{16}$	8$\frac{5}{16}$ - 8$\frac{3}{16}$	8¼ - 8
D-Mark	8$\frac{15}{16}$ - 8$\frac{13}{16}$	8$\frac{15}{16}$ - 8$\frac{13}{16}$	8⅞ - 8¾	9$\frac{1}{16}$ - 8$\frac{15}{16}$	9¼ - 9⅛	9$\frac{7}{16}$ - 9$\frac{5}{16}$
French Franc	9⅛ - 9	9⅛ - 9	9⅛ - 9	9⅛ - 9	9$\frac{5}{16}$ - 9$\frac{3}{16}$	9½ - 9⅜
Italian Lira	12 - 10	11½ - 10½	11⅜ - 10⅞	11⅜ - 10⅞	11⅜ - 11	11⅜ - 11⅛
Belgian Franc	8$\frac{15}{16}$ - 8$\frac{13}{16}$	8$\frac{15}{16}$ - 8$\frac{13}{16}$	9 - 8⅞	9$\frac{1}{16}$ - 9$\frac{1}{16}$	9¼ - 9⅛	9$\frac{7}{16}$ - 9$\frac{5}{16}$
Yen	8 - 7$\frac{13}{16}$	7$\frac{15}{16}$ - 7⅞	7$\frac{15}{16}$ - 7⅞	7$\frac{13}{16}$ - 7¾	7$\frac{13}{16}$ - 7⅝	7⅝ - 7½
Danish Krone	10¼ - 10	10 - 9¾	9$\frac{15}{16}$ - 9$\frac{13}{16}$	9$\frac{15}{16}$ - 9$\frac{13}{16}$	9⅞ - 9¾	9¾ - 9⅝
Asian $Sing	6 - 5⅞	6 - 5⅞	6 - 5⅞	6$\frac{1}{16}$ - 5$\frac{15}{16}$	6$\frac{3}{16}$ - 6$\frac{1}{16}$	6⅝ - 6½

Long term Eurodollars: two years 7¼-7⅛ per cent; three years 7$\frac{13}{16}$-7$\frac{11}{16}$ per cent; four years 8$\frac{3}{16}$-8$\frac{1}{16}$ per cent; five years 8⅜-8¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

May.16	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.745	2.960	240.0	10.05	2.513	3.340	2201	2.005	60.80	1.442
$	0.573	1	1.696	137.5	5.759	1.440	1.914	1261	1.149	34.84	0.826
DM	0.338	0.590	1	81.08	3.395	0.849	1.128	743.6	0.677	20.54	0.487
YEN	4.167	7.271	12.33	1000.	41.88	10.47	13.92	9171	8.354	253.3	6.008
F Fr.	0.995	1.736	2.945	238.8	10.	2.500	3.323	2190	1.995	60.50	1.435
S Fr.	0.398	0.694	1.178	95.50	3.999	1	1.329	875.8	0.798	24.19	0.574
H Fl.	0.299	0.522	0.886	71.86	3.009	0.752	1	659.0	0.600	18.20	0.432
Lira	0.454	0.793	1.345	109.0	4.566	1.142	1.517	1000.	0.911	27.62	0.655
C$	0.499	0.870	1.476	119.7	5.012	1.253	1.666	1098	1	30.32	0.719
B Fr.	1.645	2.870	4.868	394.7	16.53	4.133	5.493	3620	3.298	100.	2.372
ECU	0.693	1.210	2.053	166.4	6.969	1.743	2.316	1526	1.390	42.16	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

IMM-STERLING $ per £

	Latest	High	Low	Prev.
Jun	1.7416	1.7442	1.7382	1.7452
Sep	1.7180	1.7230	1.7180	1.7240
Dec	-	-	-	1.7066

BASE LENDING RATES

[illegible]

MONEY MARKETS

Spanish rate cut

INTEREST RATES eased in London following the Bank of Spain's decision to cut its money market intervention rate, the main instrument of Spanish monetary policy. Later in the day there was little reaction to stronger than expected UK economic data.

Three-month sterling interbank fell to 11⅝-11½ from 11$\frac{11}{16}$-11⅝ per cent, pointing towards an early cut in bank base rates despite recent warnings from the Bank of England. One-year money declined to 11$\frac{5}{16}$-11$\frac{3}{16}$ from 11$\frac{7}{16}$-11$\frac{5}{16}$ per cent.

UK clearing bank base lending rate 12 per cent from April 12, 1991

Short sterling futures were firmer on Liffe, reflecting optimism after the Spanish rate cut. June delivery opened little changed at 88.69, but closed at the day's peak of 88.82 compared with 88.70 previously.

There was another large shortage of day-to-day credit on the cash market. The Bank of England forecast a shortage of £900m and provided total assistance of £891m.

In early operations the authorities bought £119m bills outright, by way of £5m bank bills in band 1 at 11¾ per cent and £114m bank bills in band 2 at 11$\frac{11}{16}$ per cent. Before lunch another £322m bills were purchased, via £8m bank bills in band 1 at 11¾ per cent and £314m bank bills in band 2 at 11$\frac{11}{16}$ per cent.

In the afternoon £205m bills were bought, through £27m Treasury bills in band 1 at 11¾ per cent and £178m bank bills in band 1 at 11¾ per cent. Late assistance of around £345m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £728m, with a rise in the note circulation absorbing £86m and bank balances below target £85m. These outweighed exchequer transactions adding £10m to liquidity.

In Madrid the Bank of Spain cut its money market intervention rate by ¾ point to 12¾ per cent at a special repurchase tender of central bank certificates.

In Paris the Bank of France left its money market intervention rate at 9 per cent and its five to 10-day repurchase rate at 10 per cent at a securities repurchase tender.

In Frankfurt call money fell to 8.75 from 8.80 per cent, in comfortable trading conditions after the Bundesbank's injection of a net DM2.1bn at this week's securities repurchase agreement tender. As expected a meeting of the Bundesbank council left credit policies unchanged.

FT LONDON INTERBANK FIXING

(11.00 a.m. May.16) 3 months US dollars		6 months US Dollars	
bid 5$\frac{15}{16}$	offer 6$\frac{1}{16}$	bid 6$\frac{1}{16}$	offer 6$\frac{3}{16}$

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	8½	One month	5.19	Three year	7.12
Broker loan rate	7½	Two month	5.37	Four year	7.36
Fed.funds	5$\frac{13}{16}$	Three month	5.58	Five year	7.73
Fed.funds at intervention	-	Six month	5.83	Seven year	7.99
		One year	6.12	10-year	8.11
		Two year	6.82	30-year	8.32

May.16	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.70-8.80	8.80-8.95	8.90-9.05	8.95-9.10	9.05-9.20	9.00
Paris	9¼-9⅜	9¼-9⅜	9¼-9⅜	9¼-9⅜	9$\frac{7}{16}$-9$\frac{9}{16}$	9.25
Zurich	7¾-8¼	7¾-8¼	-	8-8¼	-	-
Amsterdam	9.06-9.18	9.01-9.11	-	9.08-9.18	-	-
Tokyo	7¾-7$\frac{13}{16}$	7$\frac{13}{16}$-7$\frac{15}{16}$	-	7$\frac{13}{16}$-7$\frac{15}{16}$	-	-
Milan	10⅝-11	11⅜-11½	-	11⅜-11½	-	-
Brussels	8.81-8.93	8¾-8$\frac{15}{16}$	-	9⅛-9⅜	-	-
Dublin	10$\frac{13}{16}$-10$\frac{15}{16}$	10⅝-10¾	10⅜-10½	10¼-10⅜	10¼-10⅜	-

LONDON MONEY RATES

May 16	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13½	12$\frac{3}{4}$	12$\frac{1}{16}$	11⅝	11⅝	11¼
Interbank Bid	12¼	12$\frac{1}{2}$	11$\frac{13}{16}$	11½	11¼	11⅛
Sterling CDs	-	-	11$\frac{13}{16}$	11$\frac{9}{16}$	11$\frac{3}{8}$	11⅛
Local Authority Deps.	12⅛	12½	11⅞	11½	11¼	11$\frac{1}{8}$
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	13¼	12¼	11¾	11⅝	-	-
Company Deposits	-	-	11$\frac{13}{16}$	11$\frac{5}{8}$	11$\frac{7}{16}$	11$\frac{3}{16}$
Finance House Deposits	-	-	11$\frac{13}{16}$	11$\frac{5}{8}$	11$\frac{7}{16}$	11¼
Treasury Bills (Buy)	-	-	11$\frac{11}{16}$	11	10$\frac{13}{16}$	-
Bank Bills (Buy)	-	-	11$\frac{13}{16}$	11$\frac{7}{32}$	10$\frac{15}{16}$	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs.	-	-	5.93	5.97	6.10	6.53
SDR Linked Dep. Offer	-	-	7¾	7$\frac{13}{16}$	7$\frac{13}{16}$	7$\frac{15}{16}$
SDR Linked Dep. Bid	-	-	7⅝	7$\frac{11}{16}$	7$\frac{11}{16}$	7$\frac{13}{16}$
ECU Linked Dep. Offer	-	-	9⅝	9$\frac{11}{16}$	9$\frac{11}{16}$	9½
ECU Linked Dep. Bid	-	-	9⅝	9$\frac{9}{16}$	9$\frac{9}{16}$	9⅜

Treasury Bills (sell); one-month 11$\frac{11}{32}$ per cent; three months 10⅞ per cent; six months 10$\frac{3}{4}$ per cent; Bank Bills (sell): one-month 11$\frac{5}{8}$ per cent; three months 11$\frac{3}{8}$ per cent; Treasury Bills; *Average tender rate of discount 10.8559 p.c. ECGD Fixed Rate Sterling Export Finance.* Make up day April 30 ,1991 . Agreed rates for period May 26,1991 to June 25 , 1991, Scheme I: 13.07 p.c., Schemes II & III: 13.32 p.c. *Reference rate for period March 29,1991 to April 30 , 1991,* Scheme IV&V: 12.024 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ from May.1 , 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8½ per cent; one-three months 11 per cent; three-six months 10½ per cent; six-nine months 10 per cent; nine-twelve months 9½ per cent; Under £100,000 8½ per cent from April 15,1991 , Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,545 Set VIXEN

ACROSS

1 Distinction many a man found within the law (6)
4 Complains, though not *against checks being made* (8)
10 Kind of vegetable to take in inordinate amount (9)
11 Smoother means of transport (5)
12 Gets a meal in haste at some *fast-food* place (4)
13 *A businessman has to study* a farm er's requirement (10)
15 Show an animal outside without cover (7)
16 Put down superior performance (6)
19 Separates the fibres of rags (6)
21 Muscular trouble in *greater* part of a joint (7)
23 A dray tends to break down – be prepared for it (5,5)
25 Second-hand, but found serviceable (4)
27 The minister losing his head and giving offence (5)
28 Bore taking part free maybe – there's nothing in that (9)
29 Material attempt to contain a nuisance (8)
30 Not now to be seen in a Southern Greek city (6)

DOWN

1 Trade and make about a couple of thousand (8)
2 Well-known artist swindles board! (9)
3 Bearing with a beastly home for the garden (4)
5 This can go round, up or down (7)
6 The steps they take are always sound (3-7)
7 *Ray is quiet and awfully fat* (5)
8 Self-conscious about blunder, so drink (6)
9 Avoiding responsibility for business – up to collapse (3-3)
14 The top men are staying in *addition* (10)
17 Bring back control on land (9)
18 Provokes some leader, though it's quite uncalled-for (8)
20 See pert characters become more extortionate (7)
21 *New style naval force* (6)
22 Invite a worker with some doubt (6)
24 Representing Poe as a moralist (5)
26 Spoil too *many* returns (4)

Solution to Puzzle No.7,544

[illegible]

WORLD STOCK MARKETS

AUSTRIA | FRANCE (continued) | GERMANY (continued) | NETHERLANDS | SWEDEN (continued)

BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | ITALY | NORWAY | SPAIN | SWITZERLAND | SOUTH AFRICA | SWEDEN | AUSTRALIA | HONG KONG | MALAYSIA | SINGAPORE | JAPAN

CANADA

TORONTO

3:00 pm prices May 16

MONTREAL

3:00 pm prices May 16

INDICES

NEW YORK

DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

TORONTO

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. * Corrected Figure.

**Saturday May 11: Taiwan Weighted Price: 6208.48. Korea Comp Ex. 629.17.
& Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 16 May 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Japan Steel Wks	9.6m	760	+20	Fujitsu	3.7m	1,090	-40
Tokai Kanko	6.8m	680	+21	Honshu Paper	3.5m	1,200	-70
Mitsubishi Heavy	6.0m	748	-12	S'tomo Mtl Mng	3.4m	1,310	+20
Fuji Kyuko	6.0m	1,070	-10	Nippon Steel	2.9m	470	-5
Toshiba	4.7m	783	-19	Chiyoda	2.9m	2,480	-90

3:15 pm prices May 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	9¼	AAR Corp	0.48	0.04	12	242	13⅛	12½	13	+⅜
18¾	14½	A L Labs A	0.24	0.01	18	101	16⅝	16½	16⅝	+⅛
54¼	40⅞	AMP Inc	1.44	0.03	18	1045	49¼	48⅞	48⅞	+⅛
65⅞	44¼	AMR			18	4517	61½	60⅞	61¼	+1⅛
2⅝	1¼	ARX				z100	1⅞	1⅞	1⅞	
48¾	41½	ASA x	3.50	0.08	13	305	46¼	45½	45½	-½
54	39¼	Abbott Lab	1.00	0.02	21	3382	50	49¼	49⅞	+⅛
13⅝	9⅞	Abitibi Pr	0.50	0.04	25	18	13½	13½	13½	-⅛
11½	10⅞	ACM Gvt In x				747	11⅜	11¼	11¼	+⅛
9¾	8¾	ACM GvOpp	1.01	0.11		69	9⅛	9¼	9¼	
9¼	8¼	ACM Gvt Sp	1.01	0.11		314	9⅛	9	9	-⅛
11	9⅞	ACM Gvt Se				234	10⅞	10¾	10⅞	+⅛
8¼	7⅞	ACM Man x	1.01	0.12		362	8¼	8	8¼	+⅛
12⅞	11⅞	ACM Mangd x	1.50	0.12		233	12⅝	12½	12½	-⅛
7¼	4¼	Acme Cleve	0.40	0.07	14	51	6⅛	5⅞	6	
6	3½	Acme Elect			41	49	4⅛	4	4⅛	-⅛
40	22¼	Acuson			26	349	35¼	34½	35	+⅜
17⅞	14¼	Adams Exp x	0.48	0.03	0	108	17¼	17⅛	17⅛	-⅛
20⅛	16⅞	Adobe12Pf	2.40	0.12		3	19¾	19¾	19¾	
9¼	7	Adobe Res			20	298	7⅞	7¾	7⅞	+⅛
35½	18	Ad Micro				170	33½	33	33½	+⅛
14¼	4⅞	Ad Micro P	3.00	0.27	12	3656	11⅛	10½	11	-⅛
6⅛	2¼	Advest Grp	0.16	0.04	5	41	4⅛	4⅛	4⅛	
49⅛	33⅞	Aetna Lf	2.76	0.07	7	1755	41	40¼	40¼	-⅜
10⅞	6⅝	AEll A x	0.24	0.03	34	306	8⅝	8½	8½	
18¾	12	Ahmanson x	0.88	0.05	9	506	16⅞	16⅜	16⅞	+⅝
7⅞	2⅞	Aileen Inc			10	72	6¼	6⅛	6⅛	+⅛
70⅞	51⅞	Air Pr Chem			15	589	67	66½	67	+⅜
26⅛	16⅝	Airborne Frt	0.30	0.01	15	340	24½	24⅜	24½	+⅛
18⅞	12½	Airgas Inc			17	5	14½	14⅜	14½	+¼
15¼	10	Airlease	2.29	0.18	6	21	13⅛	13	13	-⅛
92½	88¼	AlaPw8.16				z100	u92½	92½	92½	
24⅝	21⅞	AlaPw PfA				83	u24⅝	24½	24⅝	+⅛

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
60⅛	35⅛	Xerox	3.00	0.06		91209	54¾	63½	54⅝	+1⅜
49¾	43¼	Xerox4.125				11	u50½	49¾	50½	+¾
21⅛	14⅛	Xtra 1.94 x				2	19	19	18⅞	
24⅞	14¼	Xtra Corp x	0.72	0.04	10	158	20¼	19½	20¼	+⅞
1½	⅞	Zapata			0	902	1⅛	1	1⅛	
9⅜	6⅛	ZenithElec			2	288	6⅞	6⅝	6⅝	-⅛
18¼	12	Zenith Nat	1.00	0.06	71	365	17⅜	16⅝	17¼	+⅞
6	4½	Zenix Inc	0.87	0.15		64	u6	6⅞	6⅞	
15¼	10⅞	Zero Corp x	0.72	0.05	15	17	14¾	14½	14⅝	
41⅜	29½	Zurn Ind	0.88	0.02	14	109	36	35⅝	35¾	
13½	10¼	Zweig Fund				373	12¾	12¼	12½	-⅛
9⅞	8½	Zweig Totl x	1.06	0.11		456	u9⅞	9¾	9¾	-⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices May 16

NASDAQ NATIONAL MARKET

3:15 pm prices May 16

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		31	708	22¼	21½	22	+½
XL Data		13	62	6½	6	6½	+⅜
Xoma Corp		14	3545	26⅝	25¼	26¼	+½
YankeeEnS	1.52	17	208	u23⅛	22	23	
Yellow Fr	0.94	14	989	30½	30⅛	30¼	+⅜
York Rsch		18	386	19	18½	18¾	+¼
ZionsUtah	1.44	9	10	42½	42	42	

AMERICA

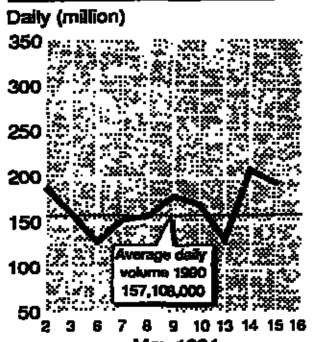
Equities recover from two days of deep decline

Wall Street

SHARE PRICES bounced back from two days of big declines yesterday morning, aided by demand for US stocks overseas and a modest recovery in bond prices, *writes Patrick Harverson in New York.*

By 1.30 pm the Dow Jones Industrial Average was up 28.85 at 2,894.23. The other main indices moved in tandem with the Dow, with the broadly based Standard & Poor's 500 up 3.32 at 371.89 at 1 pm, and the Nasdaq composite of over-the-counter stocks up 4.15 at 482.23. New York SE turnover was 94m shares by 1 pm, with advancing stocks outnumbering declining ones by more than two to one.

NYSE volume



The gain did not represent a shift in investment sentiment, said analysts. It was, instead, an inevitable correction after several days of large losses, with buyers returning to the market in search of inexpensive stocks. The stage was set for a recovery after foreign investors bought US stocks overnight.

Compaq, which came under heavy selling pressure on Wednesday following a severe profits warning, recovered well. After opening weaker, the stock rallied to stand $1⅝ up at $37¼ on turnover of 3.3m shares. The turnround helped the rest of the technology sector, with IBM up $1 at $103½, Digital up $⅝ at $65, Apple steady at $50½, and Microsoft $1¼ higher at $99½.

Hewlett-Packard, another computer group, jumped $2¼ to $48⅝ in brisk trading after reporting a better than expected rise in fiscal second quarter earnings to 93 cents a share, from 73 cents a share a year earlier.

Encore Computer plunged $1⅞ to $1⅝ on the news that it had lost in the bidding for an eight-year, $460m contract to supply equipment to Nasa, the space agency. The contract went to IBM.

Gap, one of the few success stories in the US retailing sector, rose $¼ to $59¼ after the company reported a 93 per cent improvement in profits to a record $40.9m, or 58 cents a share.

Schering-Plough rose $⅝ to $51¼ after the drug group said it expected 1991 earnings to rise by 20 per cent, based on an 8 per cent increase in sales. Also predicting a brighter trading outlook was AMR, the parent group of American Airlines. AMR stock rose $1⅞ to $61½ after the group's chairman said that it was showing signs of a return to profitability.

Borland International rose $½ to $46½ on the news that it had entered a pact to develop programming languages and development tools for a new version of IBM's OS/2 operating system.

Canada

SHARE PRICES rose, but slipped from their day's highs in slow trading in Toronto yesterday morning as investors remained cautious. The market had dropped 60 points in the previous four sessions.

The composite index gained 12.7 to 3,457.5. Advances led declines by 234 to 189 on volume of 10.5m shares.

Air Canada was flat at C$9 after reporting a loss of C$1.35 a share for the first quarter, versus a loss of 18 cents for the same quarter a year ago. Thomson was unchanged at C$16¼ after reporting a first-quarter loss of 10 cents versus a profit of 1 cent last year.

Trinidad sees most of the cross-border action

Canute James reports on changes in the Caribbean

CARIBBEAN investors are cautiously testing the uncharted waters of cross-border trading on the region's three exchanges. Since the start of operations on the fledgling Caribbean exchange last month, most of the activity has been between Jamaica and Trinidad. The third, Barbados, has not had any cross-border activity.

Settlements of transactions have reached marginally over US$1m, with more than two thirds of this representing Jamaican purchases of Trinidadian stocks. "It would appear that, with Trinidad and Tobago being a more stable economy than Jamaica, the Jamaicans want to participate more in our market," says Ms Judith Gonzalez, head of the quotation department of Trinidad and Tobago's stock exchange.

The Barbados economy has been among the most stable in the region, but the island has its limitations. "The Barbados market is small, and does not have much depth," says Mr Wain Iton, general manager of the Jamaican Stock Exchange. "There is also a low level of liquidity on the Barbadian market, but there are indications of interest and, in a few weeks, we expect to see some movement there, albeit small."

The start of cross-border trading offers investors in the three countries access to 86 listed stocks. The three exchanges have a combined capitalisation of $1.5bn. Jamaica, the largest of the three, lists 42 companies and has a capitalisation of $850m. The market index, which rose 13 per cent in 1990 to 2,339.36, has gained 90 per cent to 4,441.85 so far this year.

Trinidad and Tobago, which rose 71 per cent in 1990 but has slipped 4 per cent this year, is capitalised at $420m and lists 31 companies, while Barbados lists 13 companies and is capitalised at $280m.

Political leaders see the regional exchange as an important instrument in a longer term goal of integrating their economies and creating a common market. None of the other 10 members of the community have stock exchanges; but if new ones are established, they would immediately become part of the regional network.

Caribbean bankers have suggested that the regional exchange can reduce the dependence of highly geared companies on loan capital. The cost of money is high and changes rapidly; raising equity capital will be a better risk.

Ms Gonzalez says that one initial, and politically sensitive, problem has been overcome. This was the timely settlement of transactions. Several Caribbean governments have exercised stringent controls on the movement of foreign exchange in the past.

Getting a credible agreement to cover payments was important to investor and broker confidence. The concern has been mainly with Jamaica: the Jamaican dollar currency has been floating since September, and it has depreciated since then by 22 per cent. The island is suffering from a chronic shortage of foreign exchange.

Trinidad and Tobago has been the focus of activity on the fledgling Caribbean exchange

An attempt was made earlier this year to have the central banks of the three countries create a pool of $11m to cover transactions. Mr Iton says that, in the event, only Jamaica is maintaining a pool of $5m. The central banks of Trinidad and Tobago and Barbados have agreed to give priority treatment to requests for foreign exchange to cover transactions on the regional exchange.

Most interest so far has been in Trinidad and Tobago's successful conglomerates and its banks. Jamaican analysts consider it significant that there has been a small Trinidadian purchase of shares in Telecommunications of Jamaica (TOJ), in which Cable and Wireless, of the UK, has a majority stake.

"Although interest in Jamaican shares is relatively small, the purchases which will be made will be very selective," says one broker. "Only companies like TOJ, which is a monopoly with guaranteed profits, and well established companies in other sectors, will be favoured."

EUROPE

Spain and France provide the interest after rate cut

SPAIN AND France provided the interest yesterday, after the Spanish central bank cut its official intervention rate, *writes Our Markets Staff.*

FT-SE Eurotrack 100 - May 16

Hourly changes							
Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1111.92	1112.69	1113.34	1113.53	1113.10	1113.96	1113.76	1112.86
Day's High 1114.92				Day's Low 1111.67			

May 15	May 14	May 13	May 10	May 9
1109.43	1116.47	1125.32	1130.52	1125.62

Base value 1000 (26/10/90)

MADRID buzzed with excitement on its return from Wednesday's holiday, although share prices were mixed. The interest rate cut, merger speculation and company results enlivened trading. Block trades swelled turnover to about Pta37bn, the third time turnover has been near or above Pta30bn in a week, compared with a recent daily average of Pta11bn. The general index eased 0.02 to 286.43.

Banesto jumped Pta230 or 5.5 per cent to Pta4,400 on volume of 1.24m shares, including a block of 667,990 at Pta4,210 a share. A dealer suggested that the bank was pushing up its share price before the shareholders' meeting later this month. Merger speculation also boosted the shares, with Banco Santander mentioned as the potential partner. Santander fell Pta150 to Pta5,580 on 415,149 shares.

Banesto was said to be the buyer of a block of 6.9m shares – or a 4 per cent stake – in Fecsa, which lost Pta9 to Pta761 on a total 10.63m shares.

Hispano and Central were requoted after announcing merger plans on Tuesday. Hispano gained Pta155 or 4.7 per cent to Pta3,430 on 738,179 shares, while Central edged up Pta10 to Pta4,680.

Telefónica's first quarter was worse than expected, but the stock rose Pta10 to Pta1,015 on 2.5m shares after falling on Wednesday in Barcelona. Repsol rose Pta45 to Pta2,640 on its first-quarter figures.

PARIS was encouraged by the Spanish interest rate cut and by hopes that Mr Pierre Bérégovoy would remain finance minister. The CAC 40 index gained 23.68 or 1.3 per cent to 1,826.31. Turnover rose to FFr2.5bn from FFr2.1bn.

Peugeot rose another FFr19 or 3.4 per cent to FFr580 on volume of 264,675 shares. Prime Minister Edith Cresson stressed that she did not want Japan to wipe out the European car industry, and Insee, the national statistics office, said industrialists expected demand – especially for cars – to rise in coming months.

FRANKFURT marked the official resignation of the Bundesbank president, Mr Karl Otto Pöhl, with a rise in the DAX index of 7.73 to 1,598.08; this followed a 1.65 gain to 674.68 for the FAZ at midsession. The DAX, however, is still 22.55 down on the end of last week, before the resignation rumours began.

Volume was level at DM4.3bn and share prices were stable or a little better. Among cars BMW rose DM10.50 to DM563, and in retailing, Karstadt recovered some of last week's losses with a rise of DM13 to DM529. SEL recovered DM21 to DM340 after its weakness last week when it passed the dividend. But Viag dropped DM6.70 to DM348.20 on falling aluminium prices.

MILAN opened the June trading account lower on continued selling of Generali. The market was also depressed by 93 shares going ex dividend. The Comit index fell 4.73 to 572.93 in volume estimated as lower than Tuesday's L221bn.

Generali fell L830 or 2.6 per cent to L34,750 at its official close and slipped to L34,425 later. Fiat continued to hold its ground ahead of its results due next week. It gained L37 to L5,455 but fell back to L5,380 after hours.

ZURICH was underpinned by Frankfurt and a higher New York opening. The Crédit Suisse index rose 1.2 to 538.6. Roche certificates gained SFr60 to SFr4,600 on its forecast of higher 1991 profits. Union Bank stood out with a rise of SFr40 to SFr3,640, and Winterthur was up SFr50 to SFr3,960.

AMSTERDAM was lifted briefly by better-than-expected first-quarter results from Royal Dutch. However, the CBS tendency index closed 0.2 down at 93.3. Royal Dutch ended 40 cents up at Fl 157.10, after a day's high of Fl 158.60.

COPENHAGEN, generally flat with the CSE index 0.08 higher at 344.94, saw Bang & Olufsen B shares drop DKr16.50 to DKr308.50 on the absence of the big buyer which had been supporting the price.

ISTANBUL tumbled 2.7 per cent to a four-month low. The market index closed at 3,421.21, down 94.38. The ATHENS general index lost 27.64 or 2.6 per cent to 1,018.35. The market has fallen 23 per cent since early March.

SOUTH AFRICA

WEAKER bullion prices pulled gold shares lower after two days of gains. The JSE all-gold index closed 10 down at 1,151 after rising to 1,177 earlier. The all-share index also fell 18 to 3,040. The industrial index was up 2 at 3,493.

ASIA PACIFIC

High-technology shares follow US lower

Tokyo

SHARE prices lost further ground yesterday following the decline on Wall Street. The high-technology sector was particularly weak, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed down 302.20 at 25,530.27 after a day's high of 25,771.38 and low of 25,497.48. Volume remained depressed at 260m shares, down from 280m. Declines overwhelmed rises by 830 to 148, with 125 issues unchanged. The Topix index shed 18.12 to 1,947.48, but in London the ISE/Nikkei 50 index eased just 0.72 to 1,451.61.

The Tokyo Stock Exchange announced that arbitrage positions as of May 10 had approached a record Y1,160bn. Concern that unwinding of the positions would depress the Nikkei index has added to the negative sentiment.

Traders said institutional investors were turning to other financial markets. Mr Bill Wilder, head of research at Schroder Securities, said government-related pension funds and domestic institutions had indicated interest in the government bond market. "There is lots of liquidity, but no one is interested in stock investments at the moment."

The weakness in high-technology stocks on Wall Street weighed down the sector in Tokyo. The stronger yen also prompted selling in the sector. Toshiba fell Y19 to Y783.

Daiwa House Industry, which released favourable annual results on Wednesday, dipped Y20 to Y1,950; investors felt that the good news had been discounted. Similarly, Keyence, the measuring control equipment maker which announced a rise in profits, receded Y700 to Y15,400.

Tokai Kanko, a medium-sized hotel chain operator, climbed Y21 to Y680 on rumours that the company would merge with the Seibu Saison group, or that the Sheraton Hotel chain might purchase Tokai Kanko.

Some bank issues were strong on foreign buying, reflecting hopes of a discount rate cut. Mitsubishi Bank climbed Y40 to Y2,840.

In Osaka, the OSE average declined 275.11 to 28,382.06 on volume of 20.6m shares, down from 24.1m. Mori Seiki, a machine tool maker, shed Y240 to Y2,700. Its pre-tax profits are expected to fall this year.

Roundup

LOWER interest rates boosted Australia and New Zealand yesterday, while good news on the Chinese front lifted Hong Kong. Other Pacific Rim markets were lower.

AUSTRALIA stormed ahead after a cut in official interest rates. The All Ordinaries index ended 21.1 up at 1,540.3, but below the best of 1,545.3.

Turnover jumped to A$763m from A$265m, boosted by a decision by Burns Philp and QBE Insurance to unwind their cross-holdings. Burns Philp sold 45m shares in QBE at A$5.70 each. QBE, which fell 60 cents to A$6.70, sold 40m Burns Philp shares at A$2.90. Burns Philp lost 5 cents to A$3.

Westpac gained 9 cents to A$3.60 and National Australia Bank rose 22 cents to A$6.58; both reported first-half results.

NEW ZEALAND overcame an early slip, as the advance in Australia countered further weakness in Fletcher Challenge. The Barclays index gained 6.93 to 1,513.56 and turnover rose to NZ$16.6m from NZ$11.6m. Fletcher eased a cent to NZ$3.80 on 1.2m shares.

HONG KONG rose in active trading on remarks overnight by US President George Bush, which indicated that he would extend China's preferential trade status for another year. The Hang Seng index advanced 69.97 or 1.8 per cent to 3,859.66, just 10 points off its post-1987 crash high reached on April 3. Turnover swelled to HK$1.77bn, the heaviest for two weeks, from HK$1.21bn.

SINGAPORE was drawn lower by Tokyo. The Straits Times Industrial index lost 10.34 to 1,503.06. Turnover increased to S$87m (S$84m).

Keppel scored the third highest turnover of the day on reports about its involvement in a ship explosion off Italy last month. The stock fell 20 cents to S$7.40 on 1.13m shares.

MANILA was troubled by falling liquidity and margin selling. The composite index lost 14.99 or 1.3 per cent to 1,109.49 as turnover fell to 98m pesos from 218m.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY MAY 15 1991								TUESDAY MAY 14 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (72)	144.18	+0.8	122.28	125.72	126.68	122.46	+0.1	5.43	143.05	122.00	124.97	126.55	122.36	147.30	112.74	134.32
Austria (19)	204.08	+1.4	173.09	177.96	179.31	179.51	+0.1	1.47	201.21	171.59	175.78	178.00	179.30	222.37	167.00	255.31
Belgium (60)	139.83	+0.7	118.60	121.92	122.86	120.00	−0.1	4.93	138.92	118.47	121.35	122.89	120.08	151.20	121.73	153.59
Canada (117)	136.43	−0.4	115.71	118.96	119.86	113.61	−0.5	3.52	136.92	116.77	119.60	121.11	114.17	141.10	126.49	135.13
Denmark (31)	242.01	+1.0	205.27	211.04	212.64	212.72	+0.0	1.58	239.69	204.41	209.40	212.03	212.80	270.56	217.74	250.33
Finland (21)	116.35	+0.9	98.68	101.46	102.23	97.49	+0.1	2.49	115.31	98.33	100.73	102.00	97.35	125.15	90.61	138.70
France (112)	138.36	+0.3	117.35	120.64	121.56	124.52	−0.1	3.51	137.96	117.65	120.51	122.03	124.70	152.28	121.85	166.16
Germany (88)	110.69	+0.0	93.88	96.53	97.25	97.25	−0.6	2.33	110.64	94.35	96.67	97.87	97.87	125.35	102.43	133.70
Hong Kong (47)	156.08	+0.2	132.38	136.10	137.14	156.12	+0.2	4.38	155.83	132.89	136.13	137.86	155.87	156.75	119.62	122.11
Ireland (17)	156.03	−0.2	132.34	136.06	137.09	138.93	−1.3	4.04	156.37	133.35	136.60	138.32	140.74	182.46	132.88	183.10
Italy (91)	78.31	−1.2	66.42	68.28	68.80	73.52	−1.4	3.30	79.23	67.56	69.21	70.08	74.58	88.23	72.05	104.73
Japan (452)	138.69	−0.1	117.63	120.94	121.87	120.94	−0.3	0.71	138.85	118.41	121.29	122.84	121.29	146.97	118.35	153.61
Malaysia (33)	227.53	−1.1	192.98	198.40	199.91	241.29	−1.3	3.14	230.01	196.15	200.92	203.46	244.40	247.78	192.83	222.34
Mexico (12)	995.27	+0.5	844.15	867.88	874.47	3255.82	+0.5	0.26	990.72	844.89	865.48	876.40	3240.95	995.27	534.45	477.33
Netherland (40)	140.56	−0.2	119.22	122.57	123.50	122.12	−0.9	4.27	140.82	120.09	123.02	124.57	123.21	145.73	125.70	143.83
New Zealand (14)	51.88	+1.3	44.00	45.24	45.58	46.72	+1.0	7.52	51.19	43.65	44.72	45.28	46.25	54.64	41.18	62.78
Norway (30)	207.68	+0.3	176.14	181.10	182.47	185.41	−0.5	1.63	207.10	176.61	180.92	183.21	186.30	223.24	182.24	241.55
Singapore (25)	202.29	+0.2	171.58	176.40	177.74	164.44	−0.1	2.04	201.82	172.11	176.31	178.53	164.62	208.25	151.63	198.21
South Africa (60)	210.73	+2.0	178.74	183.76	185.15	151.03	+1.7	3.72	206.60	176.19	180.48	182.76	148.54	210.73	173.00	191.85
Spain (41)	164.11	+0.4	139.19	143.11	144.19	130.42	+0.0	4.34	163.48	139.42	142.82	144.62	130.42	171.12	131.51	164.40
Sweden (27)	178.59	+0.0	151.48	155.74	156.92	160.75	−0.7	2.72	178.59	152.30	156.01	157.98	161.86	204.12	146.60	199.51
Switzerland (65)	93.89	−0.3	79.63	81.88	82.50	83.27	−0.4	2.43	94.16	80.30	82.26	83.31	83.60	100.67	82.17	100.45
United Kingdom (294)	172.64	+0.3	146.43	150.53	151.67	146.43	−0.2	4.90	172.08	146.75	150.31	152.20	146.75	187.44	156.27	150.64
USA (523)	149.19	−0.9	126.54	130.10	131.09	149.19	−0.9	3.28	150.55	128.39	131.52	133.18	150.55	158.24	125.95	142.97
Europe (936)	139.66	+0.2	118.64	121.97	122.90	120.96	−0.4	3.83	139.66	119.11	122.01	123.55	121.42	151.52	125.50	144.40
Nordic (109)	179.81	+0.5	152.51	156.80	157.99	153.83	−0.4	2.10	178.97	152.63	156.35	158.32	154.39	200.81	155.55	197.32
Pacific Basin (643)	139.14	−0.1	118.02	121.34	122.26	121.77	−0.3	1.04	139.23	118.74	121.63	123.17	122.09	145.92	117.86	151.72
Euro – Pacific (1579)	139.79	+0.0	118.56	121.89	122.81	122.31	−0.3	2.23	139.75	119.18	122.08	123.62	122.69	147.86	121.29	149.15
North America (640)	148.32	−0.9	125.80	129.35	130.34	146.80	−0.9	3.30	149.62	127.60	130.72	132.38	148.10	157.04	125.91	142.40
Europe Ex. UK (642)	119.92	+0.0	101.71	104.59	105.38	106.04	−0.5	3.18	119.90	102.25	104.76	106.08	106.59	129.80	106.85	138.60
Pacific Ex. Japan (191)	143.40	+0.5	121.63	125.06	126.01	127.48	+0.1	4.77	142.73	121.72	124.70	126.27	127.38	144.43	111.40	128.43
World Ex. US (1768)	140.88	+0.0	119.49	122.88	123.79	123.01	−0.3	2.29	140.82	120.09	123.03	124.58	123.37	148.16	122.32	149.28
World Ex. UK (1997)	139.69	−0.4	118.48	121.82	122.75	129.59	−0.5	2.36	140.21	119.57	122.49	124.04	130.30	145.77	120.06	145.48
World Ex. So. Af. (2231)	142.19	−0.3	120.60	124.01	124.95	131.11	−0.5	2.63	142.65	121.65	124.62	126.20	131.80	148.66	122.92	145.64
World Ex. Japan (1839)	146.05	−0.4	123.88	127.37	128.35	136.67	−0.6	3.59	146.62	125.04	128.10	129.72	137.52	152.83	126.69	143.37
The World Index (2291)	142.61	−0.3	120.96	124.36	125.31	131.25	−0.5	2.64	143.03	121.98	124.96	126.54	131.92	149.01	123.28	145.92

Constituent changes with effect 17/5/91: Addition: Sandoz (Reg.)(Switzerland). Spanish (Madrid) market closed May 15. Latest prices were unavailable for this edition. Correction: Nouvelles Galeries (France) will be deleted from the indices with effect from 17/5/91.

مطابق للأصل

RECRUITMENT

JOBS: Consultancy's study sheds intriguing light on candidates' personally preferred timing

The popular days for making applications

AT which time of the week, as a rule, do you readers most feel like changing your job? My reason for asking is not just that I'd like to know whether I am in the majority in feeling disaffected mainly on Monday mornings.

The question has a serious point, which concerns the workings of executive employment markets. As far as I can see, companies' favourite day for advertising upper-ranked jobs varies from country to country. For example, in Flemish-speaking Belgium it is evidently Saturday whereas in Britain most employers still seem to opt for Thursday.

Why particular days are picked in different places, however, is a mystery. Much though I have tried, I can find no rational explanation for the variances. They look to be mere conventions which, being thoroughly supply-side orientated, pay no heed to the fundamental principle of marketing.

Whoever's tastes they serve, it is not those of potential candidates. Although the job-for-sale notices usually cost a lot of money, most suppliers simply paste them up on the ordained day and trust that the best fitted consumers will come by and see them.

It seems an inefficient way to run markets for such important assets as managers and higher-grade specialists. What makes it seem purblind to boot, is that most employers I've talked to say that their hope in advertising is not just passively to make their post known to suitable people already seeking one, but actively to attract those with no pronounced interest in making a change.

Hence my curiosity about which time readers mostly feel the urge to be up and off. For if we knew when it typically was, and employers advertised their jobs accordingly, all parties could surely be better served by the market. The problem is how to find out.

One obvious possibility lies in recruitment agencies and the like which, in the course of business, interview lots of working people. It would be easy for such outfits to throw in an extra question about the time when the quitting urge most usually surfaces. But while I've suggested as much to at least half a dozen agencies, none has evidently put the idea into force.

So when repeating the exercise a fortnight ago in conversation with the consultancy arm of KPMG Peat Marwick McLintock, I had little hope of any outcome. My pessimism, however, was wrong.

There have not been enough hours for Peat's to question a significantly large number of people. But it has done the next best thing by analysing replies to two recent advertisements in Britain. One, for a finance director, brought 135 applications. The other, for a director of finance and resources, attracted 131.

The focus was on the day when the applicants' letters were dated, and the results across all 266 replies are summarised in the table below.

When finance executives reply to job advertisements

Day of week	Out of work	Seek new challenge	No reason given	All replies
	%	%	%	%
Monday	18	13	23	19
Tuesday	10	23	11	14
Wednesday	8	10	10.5	10
Thursday	18	10	15	17
Friday	24	31	21	21
Saturday	18	5	9	11
Sunday	4	8	10.5	8

For each day of the week, it shows the percentages of applicants in three particular sub-groups as well as in total. The sub-groups are those currently out of work, those who volunteered the information that they were positively seeking a fresh challenge as a step up in their career, and those who offered no reason for applying.

As may be seen, except in that last named category where the order is reversed, the most popular days for replying to job ads are, first, Friday and then Monday.

The unemployed appear to be a bit of a special case since for them, although not for either of the other sub-groups or the total, Monday is matched in popularity by Thursday and Saturday. They are also more apt to apply, and markedly more so than the challenge-seekers, during the weekend – which seems odd, given that they should surely have more free time on the five working days than their counterparts who are on payrolls.

But while pride of place otherwise goes to Fridays and Mondays, that is not necessarily because they are the times when the biggest shares of people feel personally inclined to do their job-hunting.

For instance, at first sight the figures seem simply to reflect Britain's two main market days for executive jobs: Thursdays and Sundays. As far from everyone attracted by the ads will have time to reply within a few hours of seeing them, it seems clear that a lot of the Thursday response will spill over to Friday, and much of Sunday's to Monday.

The only trouble with that market-day-based explanation is that it doesn't square with the consultancy's findings. The two finance jobs were each advertised on two different days, but the inflow of replies did not coincide with them. Indeed, there was no significant link between the dates of the applications and those of the particular ads they referred to.

So it would seem that personal inclinations play a part after all – which leaves me regretting that, despite Peat's efforts, I cannot take the issue any farther. All I can do is hope the consultancy's findings will prompt agencies in the market to start asking the originally proposed question, and let me know the results. If so, I'll pass them on.

NOW to some jobs being offered by separate headhunters for clients they may not name. They promise to abide by applicants' requests not to be identified to the employer at this stage.

Simon Clarke of Harrison Willis seeks a Frankfurt-based contract controller for the German operations of a British group with the prime task of improving systems of reporting to the UK head office. Candidates should have success in similar work involving German industry, and of course be fluent in the language.

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David Clarke of Hogg Clarke International seeks a worldwide sales and marketing director for a mechanical engineering company based in Yorkshire. Candidates should be proven managers who have built appropriate specialist success in a job of comparable scope on an engineering background. Languages an advantage.

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Please write with C.V. to:-

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Personnel Manager
Financial Times
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London SE1 9HL

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ACCOUNTANCY COLUMN

An uncertain future for a former safe career

By David Waller

IN THE summer of 1989, 727 students who had been offered a job by a big accountancy firm were asked what were the three most important criteria behind their choice of career.

Over 60 per cent said that they were choosing the profession because of the long-term career prospects; half said that job satisfaction was an important consideration; a third said money influenced their decision. Only 20 per cent ranked job security highly.

This survey was commissioned by KPMG Peat Marwick McLintock, the UK's second largest firm, which last week made 225 newly-qualified accountants redundant and thereby demonstrated that chartered accountancy does not necessarily offer even short-term career prospects.

Those who lost their jobs have an average of up to three years post-qualification experience, and include a number of people who have not qualified at all and are retaking their professional exams.

In the south-east according to Mr Jim Butler, Peat's senior partner, 160 jobs are going in the London office and a further 60 elsewhere in the region.

The job losses are small in terms of the firm's total professional staff of 7,000, but constitute probably the largest batch of redundancies ever made by a UK accountancy firm.

What lies behind the staff cuts – which would have been unheard of even six months ago – is the failure of young, newly-qualified accountants to move on to jobs in merchant banking, venture capital, stockbroking and industry.

These jobs simply do not exist in the present economic climate and young accountants have chosen to stay with the firm until conditions brighten. For most of the eighties, the firms had to struggle hard to retain staff: now they face the very opposite problem.

In Coopers & Lybrand Deloitte's consultancy department, staff turnover once reached a giddy 30 per cent a year; the firm worked hard to get the figure down into the mid-teens. Now it finds that the turnover rate is under 10 per cent a year.

Accountancy does not necessarily even offer short-term career prospects

This lack of movement among staff coincides with declining fee income, putting a double squeeze on firms' profitability.

The redundancy terms at Peat's are not ungenerous – three or four months salary plus "outplacement" advice to help the unfortunates find another job, and financial assistance for those yet to complete their exams. However, this is unlikely to enhance the attractiveness of chartered accountancy as a career, posing another problem for the firms: how to recruit the hundreds of graduates they need to keep the audit machine running. Peat's itself is looking for 850 graduates this year, down from 1,000 last year.

Up until recently, the firms would not have risked the public relations consequences of making people redundant. The move from Peat's – which follows similar but not quite so drastic steps to reduce staff at Coopers and Ernst & Young – reflects the severity of conditions in the market place.

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Conditions are not helped by the ferocious price competition, one manifestation of which is the practice of "low-balling".

According to incensed smaller practitioners, the big firms are increasingly willing to take on audit assignments at fees which do not reflect the true costs of doing the work.

The incentive to grab an audit is great. Companies rarely change their auditors so when a firm wins a new assignment, it is a job for life, or at least for a long enough period to recoup the initial loss by gradually putting up the fees, or by selling on consultancy services.

The threat to the public interest is that the independence of the auditing firm is compromised by its need to make a profit out of the relationship. Under this kind of pressure, the auditor is unlikely to take a robust stand on a point of principle: he will be putty in the hands of management.

Mr Tim Richmond, national managing partner of Pannell Kerr Forster, the UK's ninth largest firm, says: "Our clients regularly receive phone calls from other firms willing to do the work for a lot less than we do.

"In general terms I welcome competitive pressure but at a time when there is great public concern about the quality of audit it seems extraordinary to choose such a highly responsible area to be engaged in a price war."

This feeling is shared by many partners in medium-sized and small firms but the head of audit at one large firm rebutts their criticism: "The old notion of arriving at a fee by cost plus is no longer wholly appropriate in today's market. You take into account the benefits of establishing a presence in a given market sector. You look at the timing of the audit – whether it fits in with the deployment of your staff and so forth – before you arrive at a quote.

"I believe that the imperative of the market place would make it inconceivable for a firm to compromise its objectivity. We sell objectivity and there is no conceivable way we could allow ourselves to be compromised."

Rejecting suggestions that there should be some kind of price regulation, he argues: "the more you interfere with the normal market process, the more you introduce other problems. The thrust and counterthrust of the market is in the best interest of everybody."

Price Waterhouse has come in for criticism after a front-page story in last week's *Accountancy Age* quoted from a letter in which the firm appeared to offer the Prudential a £900,000 discount on a proposed fee of £2.3m.

Mr Michael Lawrence, the Pru's finance director, said that the company had spent several months reviewing proposals for the audit from four leading firms.

He said the firms were told that they were tendering solely for the audit and not for consultancy work, and were assessed on a number of criteria, including continuity of staff, industry knowledge, appropriateness of audit approach and ability to service the company worldwide.

"It trivialises the issue just to relate it to fees," he said. However, he would not comment on whether PW offered the lowest quote, nor would he give any indication of this year's audit fee.

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The informal discussion document from the Labour party on the future of the accountancy profession is eminently reasonable in tone. It acknowledges some problems with the way in which the profession is regulated but falls far short of endorsing the radical agenda advanced by Mr Austin Mitchell, the Labour MP for Great Grimsby.

The irony of this pragmatic approach is that Mr Mitchell's proposals – which include the rotation of auditors and the "quarantining" of audit from other services – are beginning to stir up support within the profession itself.

His speech last week to the London Society of Chartered Accountants, in which he outlined his ideas with his customary gusto, received enthusiastic applause, and member of the audience called for him to be elected as an honorary fellow of the Institute of Chartered Accountants in England & Wales.

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Professor Clive Fletcher was for seven years a consultant psychologist in the Civil Service before moving to Goldsmiths' College, University of London, where he is currently Professor of Psychology. Professor Fletcher has been involved in research and teaching in the field of managerial assessment and appraisal for twenty years. He has written many articles and several books on assessment, including "How to Face the Interview." He is also on the editorial boards of several journals, including Personnel Management. Professor Fletcher's present research interests include the influence of candidate impression management tactics in interviews.

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Group Financial Controller

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Acting as Deputy to the Finance Director, and leading a motivated team, the person appointed will critically analyse and appraise financial performance in the four profit centres, as well as developing and enhancing forecasting and budgetary reporting systems and performance measures.

This high-profile, influential rôle calls for a professionally-qualified, commercially-driven individual, who can demonstrate sound career progression in major organisations, and with the strength of character able to establish credibility amongst colleagues.

Together with excellent career prospects this position carries a competitive salary and benefits package, including lease car, free rail travel, excellent pension scheme and generous leave entitlement.

BR is an equal opportunities employer.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to. *M.A. Grant* or *K.D.A. Allen*, Hoggett Bowers plc, *1/2 Hanover Street*, LONDON, *W1R 9WB*. 071-734 6852, Fax: 071-734 3738, *quoting Ref: H2704/FT.*

Hoggett Bowers

BIRMINGHAM, BRISTOL, CAMBRIDGE, EDINBURGH, LEEDS, LEICESTER, LONDON, MANCHESTER, NEWCASTLE, WINDSOR and EUROPE

Group Finance Director

North West,

c £45,000, Car, Benefits

This UK quoted plc, with a number of subsidiary operations and a turnover in excess of £70m is experiencing continued growth in the present economic climate and now seeks to add significant financial management strength to their team.

Reporting to the Chief Executive you will control and maximise the performance of all financial aspects and be expected to make a major contribution to the management and future growth of the company through the implementation and close monitoring of financial controls.

You will be aged 30 to 40, ACA/FCA qualified and be able to demonstrate a progressive career in a fast changing service oriented environment, preferably at PLC level. You will have first hand experience in a construction/services based organisation which has shown strong growth, both organically and by acquisition in recent years. Critical elements of control will be those of contract based payments, variance accounting and computerisation. As a self motivated 'hands on' manager you will also be a team player, commercially oriented and possess the personal stature commensurate with this senior level appointment.

The excellent remuneration package, in accordance with a successful group, includes an attractive negotiable salary, profit bonus and relocation assistance as necessary.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to. *J. Bewley*, Hoggett Bowers plc, *St. James's Court, 30 Brown Street*, MANCHESTER, *M2 2JF*. 061-832 3500, Fax: 061-834 8577, *quoting Ref: M11014/FT.*

Hoggett Bowers

BIRMINGHAM, BRISTOL, CAMBRIDGE, EDINBURGH, LEEDS, LEICESTER, LONDON, MANCHESTER, NEWCASTLE, WINDSOR and EUROPE

FINANCIAL MANAGEMENT

OPPORTUNITY FOR OUTSTANDING ACA

CENTRAL LONDON/ HERTS ★ c£27,000 + CAR + BENEFITS

Mercury Communications, a leading telecommunications business and part of the International Cable and Wireless Group, has set a target turnover of £2 billion by the mid 1990's with the attendant need to further develop financial management to support business goals.

Opportunities for commercially minded ACAs have arisen to apply the skills acquired within the profession to a fast growing dynamic environment at the forefront of communications technology. Working closely with senior management, the role covers a variety of financial analysis, planning and forecasting responsibilities with a focus on developing financial information and control systems.

The Company provides excellent prospects for newly qualified chartered accountants who are seeking highly commercial management accounting experience.

Interested candidates should send their CV to Diana Westlake at KPMG Selection and Search, 70 Fleet Street, London EC4Y 1EU, quoting reference M4204 and providing full career and remuneration details together with day and home telephone numbers.

Mercury COMMUNICATIONS

POWERED · BY · PEOPLE

DIRECTOR OF FINANCIAL SERVICES

c£45,000 negotiable + benefits.

The Council wishes to appoint an outstanding professional as Director of Financial Services. The person appointed will be a key member of the Council's Corporate Management Team and will be expected to provide sound and innovative financial advice in addition to ensuring that the financial affairs of the Council are managed in an efficient, economic and cost-effective manner. He or she will be instrumental in developing a more proactive role for the Financial Services and Information Technology Units and thus will make a significant contribution to the Council's response to the challenges and opportunities it faces up to and beyond the year 2000.

Candidates will be qualified Accountants with a proven track record in the financial management of a substantial and complex organisation in either the public or private sector. They will be expected to demonstrate technical excellence, well developed analytical skills and the ability to initiate and manage change. As well as displaying highly developed inter-personal skills, candidates must possess a management style which achieves a high degree of efficiency through standard setting, problem solving, effective delegation and good judgement.

The appointment will be made on a five-year fixed-term contract basis; an essential car user allowance is provided and assistance with relocation is available.

Harrogate is an international Conference, Exhibition and Trade Fair centre, and a tourist resort. The District has a population of 150,000 and encompasses over 500 square miles of beautiful countryside on the edge of the Yorkshire Dales.

Application forms and information pack available from the Chief Personnel Officer, Council Offices, Crescent Gardens, Harrogate, North Yorkshire, HG1 2SG. Tel. No. (0423) 568954, Ext. 2293 or (0423) 508728 (24 hour answering service).

Closing date for applications: Wednesday, 5 June 1991.

Harrogate BOROUGH COUNCIL

Harrogate Borough Council is an Equal Opportunities Employer.

LONDON **TO £37,500**

Financial Systems Manager

This unique organisation operating largely in the International arena currently turns over about £400m. To improve its own effectiveness and the management of its substantial resources *it is embarking on a period of major and rapid change.*

Within the finance function a key senior post of Financial Systems Manager has been created to report directly to the Finance Director and be responsible for up to ten staff. Your prime task will be to take a lead role in the development and *implementation of the planned financial systems migration in* order to enhance the organisations complex accounting and management information needs over the next decade. Concurrently you will also manage the efficiency and effectiveness of the current systems. Based in London there will be a requirement to travel to overseas locations particularly in the initial phases.

You should be a qualified accoutant with substantial experience of working in an environment of mainframe or mini and micro networked financial systems. Ideally this should have been gained in a sizeable organisation. Technical skills must include experience of systems development methodologies and relational databases. Personnel attributes required are excellent communication, man management and project leadership skills plus the drive and intellectual abilities to manage change.

Please send full personal and career details in confidence to Chris Haworth, Coopers & Lybrand Deloitte Executive Resourcing Ltd, 76 Shoe Lane, London EC4A 3JB, quoting reference CH824 on both envelope and letter.

Coopers & Lybrand Deloitte | Executive Resourcing

MANAGEMENT ACCOUNTANT : SALARY C£20k.

Required by an established company engaged in food processing and distribution, to act as assistant to the financial controller. An experienced accountant, part or fully qualified, will be responsible for preparation of monthly management accounts, cash-flows, budgets, etc. Must be computer literate and proficient in use of spreadsheets.

Please write with full C.V. to Box A303, Financial Times, One Southwark Bridge, London SE1 9HL

At Warner Music UK, we have an eye for talent and a brain for business. Artists like Chris Rea and Madonna have taken us to the top of the music industry – while astute financial planning and business acumen have kept us there.

FINANCE MANAGER

Up to £30K + Car **Wembley**

In this key role you'll manage, monitor and review the Royalties, Accounts Payable and Recharge areas. This will be a test of your ability to motivate and train your team, to ensure deadlines are met and targets achieved; so interpersonal skills will be very much to the fore. Supervisory experience and the ability to build productive working relationships are also vital. Ref: WEM.

FINANCIAL PLANNING MANAGER

Up to £35K + Car **Kensington**

Your main task will be to provide financial planning and analysis information to the management team of East West Records, one of Warner Music's record labels, enabling improvements in corporate planning and business decision making. Good interpersonal skills are essential, as you will be expected to explain the business to non-financial people at all levels. Ref: KEN.

For both positions, you should be a qualified accountant with at least 2 years' relevant post-qualification experience in a commercial environment. Experience of a fully-computerised accounting function is essential, as is proficiency in Lotus 123.

At Warner Music, you'll find excellent prospects for promotion and a range of benefits that include free life assurance, pension scheme, staff discount and bonus scheme. If you have what it takes we'd like to hear from you. Please write enclosing your cv, stating the appropriate reference of the position you are interested in to: Jennie Ainslie, Warner Music UK Ltd, PO Box 59, Alperton Lane, Wembley, Middlesex HA0 1FJ.

WARNER MUSIC UNITED KINGDOM
A Time Warner Company

COST EFFECTIVE CAREER COUNSELLING

We offer in-depth counselling sessions, psychometric tests, assistance with C.V.s and job applications and access to the unadvertised market at a reasonable price.

For a free preliminary discussion call 071-730 7495

Debenco

Debenco Limited
2 The Courtyard, Smith Street, London SW3 4EE

Finance Manager

London

£30–£35,000 + Car and Benefits

Our client is the UK subsidiary of one of the largest publishing groups in the world, having launched highly successful mass market magazines over the last few years.

There now exists an excellent opportunity for an experienced finance professional to take over the day to day running of the accounts function. You will report to the Finance and Administration Director and have responsibility for *nine staff. Your brief will encompass financial accounting, management* information, treasury, systems development and audit.

You should be a qualified accountant and have a minimum of three years experience of running an accounts function. The ability to communicate and a flexible, shirt-sleeves approach are as important to success in this role as strong systems development skills and attention to detail. You should want to work in an environment which is demanding yet fun.

Please reply in confidence, quoting Ref 1660, to Geoffrey Rutland FCA, ATII, at the address below, giving concise career and salary details and a daytime telephone number, or telephone for an informal discussion on 071-489 9000 or 081-878 8395 (evenings).

BDO CONSULTING

BDO Consulting
20 Old Bailey London EC4M 7BH

To advertise in

The Top Opportunities Section

please contact

Elizabeth Arthur
071 873 3694

Stephanie Spratt
071 873 4027

FINANCIAL DIRECTOR

English/French bilingual

Our organisation is the French subsidiary of a well-known American Group.

We require a flexible, team-oriented individual who has the flair to fit into a dynamic, market-driven organisation.

Your background will be in Distribution, having had a Commercial University Education. You will be aged between 35-40 and possess excellent accountancy credentials, with experience in man-management, logistics and international reporting.

The remuneration package will be very attractive, as will the opportunities for personal growth and development.

Applicants should send their CV to MERCURI URVAL 14 bis rue Daru 75378 PARIS CEDEX 08.

Mercuri Urval

ACCOUNTANT

Qualified Chartered Accountant,

enterprising character, with minimum 2 years experience of reputable accounting firm, sought as C.F.O. for new stockbroking venture of previously highly successful individuals. Starting salary up to £30,000 with substantial bonus possibilities. Shares may be made available at later date. West end based.

Write Box A1505, Financial Times, One Southwark Bridge, London SE1 9HL

APPOINTMENTS WANTED

QUALIFIED ACCOUNTANT

Many years experience at senior level. Seven years in Belgium wishes to work in Europe as FINANCIAL CONTROLLER or similar.

Write Box A1503, Financial Times, One Southwark Bridge, London SE1 9HL

Group Finance Director

(c. £42,000 plus car)

Notting Hill Housing Group is one of the most successful housing associations in the country. We manage over 10,000 homes and commercial properties, have our own chain of professionally managed charity shops and are involved in a variety of other exciting initiatives.
Our success is the result of finding innovative solutions to housing problems.

You will work to the Group Chief Executive and in directing our financial activities you will have contact with government agencies, local authorities, and financial institutions. You will make a significant contribution to the future direction, development and financial effectiveness of the Group.

Responsible for a revenue budget of £30 million, your enthusiasm and mature leadership will enable your professional team to run efficiently our finances and diverse loan portfolios through a sophisticated IT system.

A qualified accountant with a successful record in management, you will share our commitment to helping homeless people.

For an informal discussion, please ring Donald Hoodless, Group Chief Executive, on 081-741 1570 ext 220. For our information pack and an application form please telephone our 24 hr ansaphone service on 081-741 2273.

Notting Hill

Notting Hill Housing Group is an equal opportunities employer

Dans un monde de télécommunications, évoluez à la pointe de la finance.

Dans le cadre de son développement à l'étranger, Alcatel CIT crée des Joint Venture avec des groupes industriels en Asie, en Amérique du Sud, en Afrique, en Europe de l'Est...Ces filiales ont pour activité la production, l'ingénierie, la formation et l'installation de centraux téléphoniques de la gamme E10. Assurant le mandat de gestion, Alcatel CIT recherche pour chacune de ces filiales un :

RESPONSABLE FINANCIER

Diplômé d'une grande école de commerce (HEC, ESSEC...) ou d'une école d'ingénieur, vous avez acquis une expérience similaire de plusieurs années. Responsable et autonome, vous menerez à bien la mise en place des services financiers, des procédures comptables (comptabilité analytique), du contrôle de gestion, du service paye, de la gestion de la trésorerie, de la gestion financière des contrats.
Pour ces postes, l'anglais est indispensable, l'espagnol souhaitable. D'autres langues seront appréciées.

ALCATEL
CIT

Merci d'adresser votre candidature sous référence EFT5 à
Christine CAPELLE-GRENIE, Alcatel CIT - 10, rue Latécoère - 78141 VELIZY Cedex.

alliance RH

Finance Director
Building Materials

North of England — **c£45k + Bonus + Car**

Our client is a multi-site distributor of building materials, headquartered in the North of England. It is committed to continue to expand its nationwide network of branches and to increasing its share of this highly competitive market. It forms an important subsidiary business within a strong and successful UK PLC.

The Finance Director will report to the Managing Director and be a key member of the board. The objective of the role is to make a major contribution to the commercial success of this £80m turnover business through a combination of effective financial management and enterprising business analysis. Financial accounting and information systems are well-controlled and systems driven.

The ideal candidate will be a suitably qualified accountant with an impressive record of achievement in a commercial environment. He or she will probably be aged between 35 and 45, and have a background in an f.m.c.g. or similar multi-site operation. Sound commercial acumen, a high level of technical competence and professional maturity will be essential characteristics for success in this demanding, high-profile position. A proactive, hands-on approach and excellent communication skills will be vital in enabling this individual to play a leading role in the development of the business.

The remuneration package will comprise an attractive base salary, fully expensed car, generous performance-related bonus and comprehensive benefits package. Relocation costs will be met as appropriate.

Interested applicants should send a detailed CV, supported by a covering letter, by post or fax, to Maggie Henderson-Tew, at the address below, quoting reference number 060J. The closing date for applications is 31st May.

ST. JAMES ASSOCIATES

MANAGEMENT SELECTION

32 Old Burlington Street, London W1X 1LB Fax: 071-287 2821. Telephone: 071-287 2820.
A GKR Group Company

Treasurer and Tax Accountant

Our client is a leading listed UK independent oil and gas exploration and production company. A success story of the late 80s, the company has launched into the current decade with an impressive increase in profits at all levels. The company's principal assets are it's UK offshore oil and gas exploration and production interests, but it also has a significant and expanding international exploration portfolio, supported by some international production interests.

As a result of the group's sustained expansion, two new key appointments are to be made in London.

Treasurer
£50,000 – £60,000 + Incentives

The treasurer will report directly to the finance director and will be responsible for devising and implementing an appropriate strategy to risk manage the group's currency, interest rate and petroleum price exposure, together with a strategy to manage the cash and debt resources. There will be extensive liaison with relationship banks and close involvement in debt financing negotiations and the subsequent administration and compliance procedures.

We are looking for a self motivated individual with extensive treasury management expertise preferably gained in an oil and gas environment. Probably in your thirties you will be able to work on your own initiative and will possess excellent interpersonal skills for a team atmosphere.

Interested applicants should forward a comprehensive curriculum vitae, quoting ref: 3502 to **Jonathan Samuelson ACA, Executive Selection Division, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.**

Tax Accountant
£30,000 – £40,000 + Benefits

This is a number 2 role within a small and cohesive team, and will report directly to the head of tax. Responsibilities will include monitoring PRT and Royalty positions and liaising with the OTO/DoE; handling CT compliance (with assistance) for all UK Group companies; dealing with group relief, year end planning and deferred taxation. Ample opportunity exists for involvement in ad hoc planning exercises relating to acquisitions and disposals.

Ideal candidates will be ACA/ACCA/ATII qualified with strong corporation tax skills and preferably up to 2 years relevant experience within the energy sector. An ability to work with autonomy is essential – this will be supported by the necessary technical acumen and a 'hands-on' approach.

Interested candidates should contact **Matthew Phelps** on 071-831 2000, or write to him quoting ref. 2601, at **Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.**

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

London & Edinburgh Insurance Group

Manager Financial Controls

Worthing, Sussex — **to £35,000 + Car**

London & Edinburgh Insurance Group is a successful financial services Group with a diverse range of insurance products and services, forming part of the ITT Corporation. Over the last decade, the Group's net premiums have increased four-fold to £461 million. This substantial growth has been due to innovative management and sound investment in key areas of business.

Recognition of the need for strong financial controls and efficient business procedures has given rise to an exceptional opportunity for a Manager Financial Controls. Reporting directly to the Assistant Finance Director, specific responsibilities will include:

- Assessing the best means by which the corporate financial control needs of the Group can be met, both in existing and new systems.
- The analysis and review of financial information summarising clearly the issues requiring attention.
- Advice and instructions to staff at all levels across the finance and other divisions on financial/control issues.

Applicants should be graduate Chartered Accountants with a minimum of four years' post qualification experience preferably within the financial services sector. The ability to balance broad business issues with the detail necessary to recommend solutions to specific and complex problems is essential. A positive, intelligent and practical approach, combined with excellent communications skills and the will to succeed are the key characteristics for this role.

In the first instance, interested applicants should write to Steven Vass BA, ACA at
Michael Page Finance, Cygnet House, 45-47 High Street, Leatherhead, Surrey KT22 8AG.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

NISSAN

Greenfield Opportunities

N.W. London — **circa £33,000**

Nissan Motor Company is one of the world's largest car manufacturers with an impressive product range renowned for quality, reliability and performance. The recent decision to establish a brand new marketing and distribution company, Nissan Motor (GB) Limited, represents the most challenging and exciting opportunity in the UK motor industry.

An integral part of this new venture is to recruit a high calibre finance team which will be able to respond to the unique challenges presented by such a large scale project. We are currently recruiting for two positions within the finance area the main responsibilities of which will encompass:

Assistant Manager – Accounting
- Monthly financial reporting.
- Control and monitoring of trade accounting and expenses.
- Development and implementation of accounting and internal management systems.

Assistant Manager – Finance
- Monthly management reporting.
- Monthly and annual budgets.
- Cashflow monitoring and forecasting.

Aged between 28-35 suitable candidates will be qualified accountants (ACA/CIMA/CACA) with a minimum of 2-3 years post-qualification experience in a commercial environment. You should be capable of demonstrating both initiative and flexibility together with the ability to communicate effectively across all disciplines. Well developed man-management skills are a prerequisite.

The salary package will be commensurate with age and experience and will comprise an attractive basic salary, lease car, contributory pension scheme, private healthcare, 25 days holiday and a generous relocation package (where appropriate).

Please write with full career details and current salary package quoting reference LD109 to our consultant **Liam Dowds at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.**

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Finance Director Designate

South Yorkshire
c£35,000 + Car + Bonus + Profit Share

Our client is an autonomous, £50 million turnover subsidiary of a major British multi-national engaged in the distribution of industrial products and equipment. Continued expansion is anticipated, both organically and by acquisition.

Due to promotion within the Group, it now seeks to appoint a Financial Controller who, reporting to the Managing Director, will assume full responsibility for all finance and related functions. Emphasis will be placed on the ability to make a significant contribution at Board level, particularly in commercial and strategic areas, allied to the continued enhancement of strict financial control procedures and the further development of management information systems.

Candidates, aged 30+, should be qualified accountants who can demonstrate a track record of success in their career to date. A strong personality, allied with sound technical skills and the ability to communicate effectively across all disciplines, are considered prerequisites. Experience in the field of acquisitions would be an advantage. This is regarded as an excellent opportunity for a positive, enthusiastic and commercially aware individual to make a real contribution to the development of a dynamic business. Career prospects are excellent.

Interested applicants should write, enclosing a CV, to James J. Russell, quoting Ref: L8551, at **Michael Page Finance, Leigh House, 28-32 St. Paul's Street, Leeds LS1 2PX. Tel: (0532) 450212.**

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

FRANCE

We have vacancies with a number of Continental Finance, Service and Manufacturing groups for qualified Chartered and Management Accountants.

If you are aged 23-30, speak French (or Spanish) and would like to work on the Continent for at least two years, telephone:
Paula MacLachlan at ASA International, Recruitment Consultants - 071 353 1244

CHARTERED ACCOUNTANT

Expanding Hotel Group has an opportunity for an energetic and ambitious professional, with at least 2-3 years experience in the Hotel Business, who can match our demanding standards.

For interview and more details please contact
F. Kneer - Tel: 071 723 8064